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The Certificate of Need/Section 1122 Review Process in Montana

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The Certificate of Need/Section 1122

Review Process in Montana

by James Robusto
August, 1978

Sponsor:

Bureau of Health Planning and
Resource Development
Montana Department of Health &
Environmental Sciences

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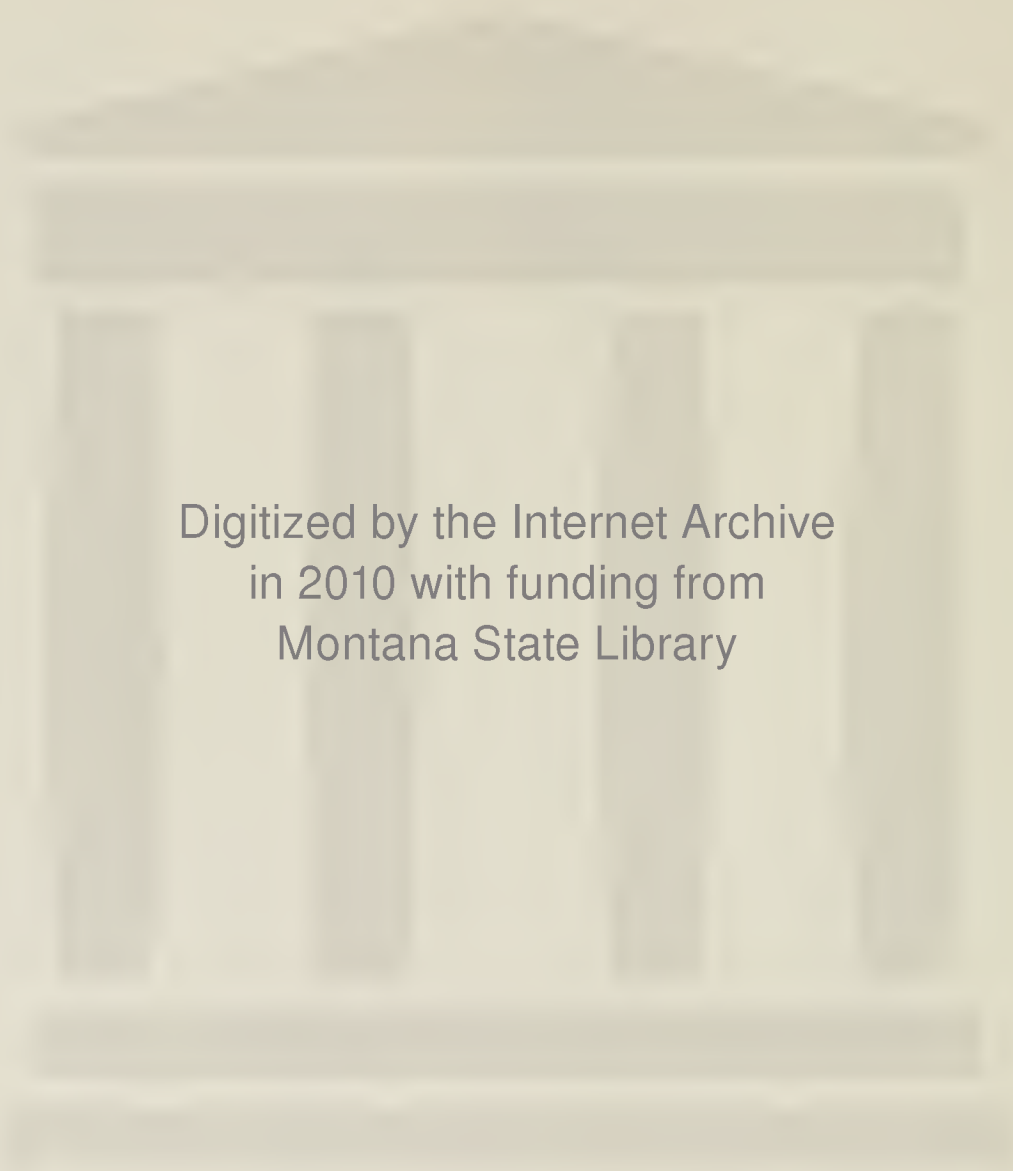
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Summary

In May of 1978 the Bureau of Health Planning and Resource Development (HP&RD) of the Montana Department of Health and Environmental Sciences established the Purpose and Goals of a Study of the Certificate of Need/ Section 1122 of the Social Security Act (CON/1122) project review process. Consequently, this study was conducted under the following objectives: (1) to analyze the CON/1122 review activities of recently reviewed projects, including costs to the applicant, Montana Health Systems Agency (MHSA), and the HP&RD, (2) to perform a cost/benefit analysis of the CON/1122 project review system of the State of Montana. The ultimate goal was to provide a written report of the findings, complete with recommendations for the improvement of the CON/1122 project review system in Montana.

With regard to these objectives, information was gathered by way of the questionnaire sent to a sampling of 26 hospitals and nursing homes, as well as by examination of the project review files of the MHSA and the HP&RD. Also, the Montana Hospital Association provided valuable information concerning the costs and benefits, recommendations for improvement, and problems associated with the project review system. The scope and detail of this study were, however, limited by time and expense allocations.

It was found that the total costs of performing the sampled CON/1122 reviews ranged from $782 to $30,420; the total costs of these reviews as a percentage of project expenditure ranged from 0.46% to 32.77%; and the costs to the applicant as a percentage of the total cost to perform the review ranged from less than 1% to over 82%. In general, the non-substantive reviews proved to be more lengthy, yet less expensive in total cost and cost to the applicant than the standard reviews. Also, it was determined that the review process could be improved by placing additional time deadlines on the reviewing agencies throughout standard and non-substantive reviews; by increasing the level of communication among the HP&RD, the MHSA and the applicant in the course of a review; and by changing the review procedures slightly.

INTRODUCTION

Due to the rising cost of health care as well as the oversupply and uneven allocation of hospital facilities, it was felt by the federal government that some means of regulation must be implemented. As a result, the federal government initiated the National Health Planning and Resources Development Act of 1974 (P.L. 93-641). Under the provisions of P.L. 93-641, such organizations as Health Systems Agencies (HSA's) and State Health Planning and Development Agencies (SHPDA's) came into existence.

The HSA's are generally responsible for preparing and implementing plans designed to improve the health of the residents of their health service areas; to increase the accessibility, acceptability, continuity, and quality of health services in the area; to restrain increases in the cost of providing health services; and to prevent unnecessary duplication of health resources.[1]

Among other responsibilities, the SHPDA's are to integrate the health plans of the HSA's into a preliminary State Health Plan to be submitted to a Statewide Health Coordinating Council for approval. The SHPDA's also serve as the designated planning agencies in those states which participate in Section 1122 of the Social Security Act, and they administer a state Certificate of Need (CON) program satisfactory to HEW.[2]

Such CON programs provide for review of the need for new institutional health services proposed to be offered in the state. In addition, the SHPDA's must make findings with respect to the appropriateness of existing institutional health services with the state.[3]

In the State of Montana, the Montana Health Systems Agency, Inc. (MHSA) acts as a health systems agency as designated by the federal and state governments and the service area of the MHSA is the State of Montana. Also, the Bureau of Health Planning & Resource Development (HP&RD) of the Hospital and Medical Facilities Division, a part of the Montana Department of Health and Environmental Sciences, acts as the SHPDA and undertakes all responsibilities and functions required by P.L. 93-641.*

Basically, if a project proposed by a health institution meets any one of the specific thresholds stated in the local CON law or Section 1122 of the Social Security Act, the applicant must receive approval by the SHPDA before the project in question can legally be undertaken. Approval or disapproval by the SHPDA is granted only after the HSA and SHPDA have reviewed the need for that project.

Since this study was designed specifically to examine the Montana CON and Section 1122 review processes, only the thresholds and procedures of those two review processes will be discussed.

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* Hence, the HP&RD and the SHPDA of Montana can be used interchangably.

Certificate of Need Review [4]

The following information originates from the Montana State Certificate of Need (CON) review, Revised Codes of Montana, 1947, Sections 69-5201 and 69-5212.

The Montana Health Systems Agency, Inc., makes a recommendation to the State Department of Health & Environmental Sciences, Division of Hospital & Medical Facilities, Bureau of Health Planning & Resource Development, prior to any issuance of a Certificate of Need.

The proposals that are covered under CON are those proposals by a health facility which:

1) amount to $50,000 or more; or
2) substantially change its services; or
3) lead to an increase or decrease in excess of 10% of the licensed bed capacity of a facility; or
4) propose the purchase of therapeutic or diagnostic equipment (excluding replacement) exceeding 2% of the facility's total operating cost for current fiscal year or exceeding $10,000.

The facility could be subject to loss of licensure or fined if it does not obtain the Certificate of Need prior to undertaking any project which meets any of these thresholds.

Capital Expenditure Review [5]

The following information originates from Section 1122, Title XI, S.S. Act as amended and Section 221 or P.L. 92-603.

This requires the MHSA to review and make recommendations to the SHPDA on proposals by or on behalf of health facilities which:

1) exceed $100,000; or
2) change the licensed bed capacity of a health facility; or
3) substantially change the services provided by the facility.

The CON or Section 1122 review of a proposal follows the standard review procedures unless the proposal is declared non-substantive. A non-substantive review differs from a standard review in that it is carried out solely by an agency's staff without the full involvement of the project review committees in the review itself. Notifications for projects proposing a change of less than ten beds or involving 2% or less of the existing bed capacity, whichever is less, and/or 2% of a facility's annual operating budget are to be considered potential non-substantive reviews. Attachments 1a and 1b (pp.36,42)are flow charts and descriptions of the standard and non-substantive review processes.

The study of the CON/1122 Review system, as previously described, was undertaken by the HP&RD in order to determine the costs of project review to this bureau, the applicant, and the Montana Health Systems Agency (MHSA). A sampling of projects which underwent review were studied in detail so their costs could be determined as accurately as possible. In addition, it was hoped that as a result of this study enough information would be compiled that would enable estimates of cost and time involved with any given type of

project review to be made. Also, a cost benefit analysis would be followed by a series of recommendations which would improve the effectiveness and efficiency of the system.

Time and expense constraints limited the scope and degree of detail of this study. Due to these constraints, the author's personal experience with many aspects of the project review system was also limited. The author, therefore, acted as a "Junior Consultant" with the intent of gathering information from knowledgable sources with which the goals of this study could be met.

In performing this study, this Bureau called upon the assistance of the MHSA, various hospitals and nursing homes, and the Montana Hospital Association. It is worth noting that this study would not have been possible without the assistance which was given so generously by these institutions.

METHODOLOGY

The study began with the development of a questionnaire which was sent to a sampling of twenty-one (21) hospitals and five (5) nursing homes. Furthermore, each questionnaire referred to a specific project. The sampled institutions and their projects were chosen in a manner which yielded a cross-section of types of reviews from the many project reviews which have taken place since January 1975. Table 1 (p. 8) is a list of the sampled institutions and other pertinent information. The information sought in the questionnaire included the cost of undergoing review to the applicant; how the project review had affected the project and its proposal; and the applicant's feelings toward various aspects of the review process. Attachment 2 (p. 46) is a copy of the questionnaire used in this study.

After the questionnaires had been sent, the information in Table 1 was gathered from the files of the Bureau of Health Planning & Resource Development (HP&RD). Included in this information in Table 1 are the "type" and "length" of each review. These classifications were considered necessary in order to evaluate the results of this study properly. For example, the review of an equipment addition requires basically the same information and considerations as that of an equipment replacement - different considerations, in fact, than are required for the review of a renovation, addition or new construction project. It follows that a meaningful analysis of the results could be performed only after the sampled reviews were classified according to the considerations required during their respective reviews. Explanations of each term are included in the paragraphs which follow.

The "length" of a standard review was defined as the number of days from the date the application was declared complete to the date of the official notice of approval or disapproval.

The "length" of a non-substantive review was defined as the number of days from the date of the letter of intent to the date of the official notice of approval or disapproval.

The length of a review (work-days) was defined as 5/7 the number of calendar days in the length of a review. Any fractions of a day were considered full days.

Type "A" refers to a standard review on a project in which the bulk of the project expenditure was directed toward renovation, addition, new construction or other changes to the physical features of the institution.

Type "B" refers to a standard review on a project in which the bulk of the project expenditure was directed toward purchasing and installing equipment (e.g., an equipment addition or replacement).

Type "C" refers to a standard review on a project in which the bulk of the project expenditure was directed toward changing the service of an institution, involving no major equipment purchases or changes to the physical features of the institution.

TABLE 1

PROJECT I.D. NUMBER	NAME OF INSTITUTION	LOCATION OF INSTITUTION	TYPE* OF REVIEW	PROJECT TITLE	PROJECT EXPENDITURE (DOLLARS)	LENGTH OF REVIEW (WORKDAYS)
1	St. Joseph Hospital	Polson	D	Purchase of Physician's Clinic and Expansion	170,000	15
2	Silver Bow Gen. Hosp.	Butte	A	18 bed alc. unit; 18 bed psych.	91,000	43
3	Granite Co. Gen. Hosp.	Philipsburg	D	Remodel Hosp; build nursing home	994,000	10
4	Pondera Co. Hosp.	Conrad	D	Med-Dental office Complex	400,000	13
5	North. Montana Hosp.	Havre	E	Lab. Equipt. replacement	146,000	85
6	St. James Comm. Hosp.	Butte	a) A	Remodel & Modify Hosp.	2,700,000	65
			b) F	Cost overrun	700,000	13
7	Billings Deac. Hosp.	Billings	D	Renal Dialysis Unit	57,000	45
8	Kalispell Regional Hosp.	Kalispell	E	Purchase Ultra-Sound Equipment	72,000	381
9	St. Patrick's Hosp.	Missoula	B	CAT Scanner	436,000	54
10	Missoula Comm. Hosp.	Missoula	A	Operating Room Expansion	985,000	35
11	Columbus Hosp.	Great Falls	B	Linear Accelerator	510,000	50
12	Frances Mahon Deac. Hosp.	Glasgow	C	Alcohol Treatment Unit	350,000	43
13	Toole Co. Hosp.	Shelby	F	Bed Reduction	-0-	66
14	St. Luke Comm. Hosp.	Ronan	A	40 Bed Ltc. Facility	820,000	17
15	Powell Co. Mem. Hosp.	Deer Lodge	D	X-Ray Equipt. Replacement	96,602	24
16	Barrett Hosp.	Dillon	D	Remodel; Const. of Physician Building	250,000	84
17	Comm. Hosp. of Anaconda	Anaconda	A	Replacement of Hosp.	2,925,000	63
18	Missoula Gen. Hosp.	Missoula	A	Add. of Alc. Treatment & Rehabilitation	171,000	48
19	North Valley Hosp.	Whitefish	F	Licensure change	-0-	195
20	St. Vincent's Hosp.	Billings	E	Addition of 10 beds	8,000	44
21	Montana Deac. Med. Centr.	Great Falls	E	Purchase of computer	101,000	58
22	Hot Springs Convel. Inc.	Hot Springs	F	Lease	60,000	76
23	Helena Nurs. Home / Health	Helena	F	Lease	109,000	125
24	Sweet Mem. Nurs. Home	Chinook	A	6 Ltc. bed addition	173,000	39
25	Malta Nursing Home	Malta	A	Const. of Nursing Home	1,032,000	40
26	Friendship Villa	Miles City	A	30 Ltc. bed addition	321,000	40

* For "Type of Review" code see pp. 7,10.

TABLE 2

PROJECT I.D. NUMBER	TO APPLICANT (DOLLARS)	COST TO PERFORM REVIEW		TOTAL (DOLLARS)	TOTAL COST/ PROJECT EXPEND. (%)	COST TO APPLICANT/TOT. COST (%)	TOTAL COST/ WORKDAY (DOLLARS)
		TO HP&RD (DOLLARS)	TO MHSA (DOLLARS)				
1	25	307	450	782	0.46	3.19	52.15
4	1,500	286	404	2,190	0.55	68.50	168.50
5	170	1,628	1,080	2,878	1.97	5.91	33.86
6	25,000	1,659	3,760	30,420	0.89	82.19	390.00
7	900	943	1,137	2,980	5.23	30.2	66.23
9	2,250	1,313	3,242	6,805	1.56	33.06	126.02
10	14,000	1,302	3,724	19,026	1.93	73.58	543.61
12	14,700	1,191	3,193	19,083	5.45	77.03	443.80
13	25	1,251	1,618	2,895	N.A.	0.86	43.86
14	5,325	595	2,427	8,347	1.02	63.79	491.02
15	25	472	656	1,153	1.19	2.17	48.03
18	2,885	983	2,560	6,429	3.76	44.88	133.93
19	50	3,725	2,339	6,114	N.A.	0.82	31.36
20	76	920	1,114	2,110	26.38	3.58	47.95
22	15,000	2,177	2,487	19,664	32.77	76.28	258.73
23	5,000	2,717	2,969	10,686	9.80	46.79	85.49
26	3,500	1,709	3,892	9,102	2.84	38.46	227.54
COLUMN NUMBERS	1	2	3	4	5	6	7

Type "D" refers to a non-substantive review on a project in which the bulk of the project expenditure was directed toward renovation, addition, new construction or other changes to the physical features of the institution.

Type "E" refers to a non-substantive review on a project in which the bulk of the project expenditure was directed toward purchasing and installing equipment (e.g., an equipment addition or replacement).

Type "F" refers to a non-substantive review on a project in which the bulk of the project expenditure was directed toward changing the service of an institution, involving no major equipment purchases or changes to the physical features of the institution.

Of the 26 questionnaires sent, 17 were returned with enough information to warrant a detailed study of the costs of undergoing review. The other nine were either returned with incomplete cost information or not returned at all. Figures on travel costs and consultant fees to the HP&RD for each studied project were then obtained from bureau files. Estimates of HP&RD staff time involved with each studied project were given by HP&RD staff, and, with the appropriate salaries at hand, the cost of HP&RD staff time was calculated for each studied project.

Monthly records of HP&RD operating expenses were obtained, and according to estimates, 35% of these expenses were attributed to activities directly related to project review. From these figures, average operating expenses per workday were calculated. Included in these expenses were the costs of supplies and materials, communications, rent, utilities, and employee benefits. In addition, 35% of the average cost per workday of employing personnel who indirectly support project review in their daily activities was included. Since an average of seven projects were at some stage of the review process during any given workday, it was determined that, for each project, the operating expenses = 1/7 (average review-related operating expenses per workday) x (length of review in workdays).

The total cost to HP&RD of any review was the sum of the operating expenses, any legal or consultant costs, travel expenditures, and the cost of HP&RD staff time accountable to the review, as explained above.

Cost to HP&RD

Operating expenses
Legal or consultant costs
Travel expenditures
+ Costs of HP&RD staff time

Cost to HP&RD

In determining the cost to the applicants of undergoing review, no calculations were necessary. That information was obtained directly from the returned questionnaires. Note that the questionnaire employed the use of cost ranges with space available for the insertion of exact dollar amounts (see Attachment 2 on p. 46). This was done in an attempt to make completion of the questionnaire easier.

Determining the cost of each studied review to the MHSA was more difficult, however, since information regarding MHSA staff time involved with each sampled review was not available. Since costs to the MHSA would include staff, subarea committee, program review committee, executive committee, and operating expenses which all vary from project to project, accurate figures on the cost of each sampled project to the MHSA were impossible to derive in the time available. Nevertheless, after consultation with MHSA staff, a means was found by which MHSA expenditures toward each studied project were calculated.

First, MHSA budget records were obtained. From them, average operating expenses per workday were determined. Essentially everything except salaries and travel expenses were included in the average operating expenses per workday. It was also found that 23.3% of the MHSA person-days of staff time were directed toward project review proceedings. With that in mind, it was determined that 23.3% of the average operating expenses per workday were attributable to project review. As previously noted, there was an average of seven projects at some stage of review during any given workday. Hence, for each project, the operating expenses = 1/7 (average review-related operating expenses, per workday) x (length of review in workdays). Actually, the MHSA operating expenses for each project were determined in the same way as were HP&RD operating expenses.

The costs of staff time accountable to each studied review were then found. From MHSA records, the average costs of a person-day and person-hour were calculated. These costs included the salaries of professional and support staff. It was estimated by the MHSA that, in general, approximately five person-hours of staff time were spent on all non-substantive reviews. Also, the MHSA suggested that for each standard review, the MHSA staff time involved should equal the estimated staff time of the HP&RD. Therefore, for each sampled project, (number of person-days of MHSA staff time) x (cost per MHSA person-day) = cost of MHSA staff time.

Then, since the MHSA pays the travel and per diem expenses of the review committees,* these costs were considered. Travel and per diem cost records were examined, and since the costs of holding subarea, program review and executive committee meetings were found to be fairly consistent, averages for each were determined. It was noted that usually one project review is considered during each of these meetings, but up to four have been completed at one time. Also, other matters are often discussed during the committee meetings. These three committees, nevertheless, must meet in the course of any standard review; therefore, the costs of each of these committees were applied to the total costs of all standard reviews sampled. Since review committees do not review non-substantive projects, their costs were not applied to non-substantive reviews.

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*For descriptions of the activities of the review committees, see Attachment 1a, p. 36

There were a few exceptions to these methods of cost calculation, however. On one non-substantive review, the figure of 35 person-hours of MHSA staff time was used. This number, which differs greatly from the average of five person-hours, was based on recommendations by the MHSA in order to reflect the amount of staff time involved more accurately. Also, on two other non-substantive reviews which lasted unusually long lengths of time, the operating expenses were decreased by 50%. In these two cases, unusually high operating expenses were due to delays in receiving requested information. Since the projects lay dormant in the review system for long periods of time, it was felt that the figures for operating expenses were unrealistic; therefore, the MHSA recommended the 50% reductions.

The cost to the MHSA for a non-substantive review was the sum of the staff costs and operating expenses for the length of the reviews.

Cost to MHSA for non-substantive review

Costs of MHSA staff time
+ Operating expenses
Cost to MHSA for non-substantive review

The cost to the MHSA of a standard review was the sum of staff, subarea committee, program review committee, executive committee and operating expenses.

Cost to MHSA for standard review

Costs of MHSA staff time
Subarea committee expenses
Program review committee expenses
Executive committee expenses
+ Operating expenses
Cost to MHSA for standard review

Furthermore, the total cost to perform any review was determined to be the sum of the costs to the HP&RD, the applicant and the MHSA.

Total cost to perform review

Cost to HP&RD
Cost to applicant
+ Cost to MHSA
Total cost to perform review

Table 2 (p. 9) is a summary of the costs of performing each review.

Once all cost figures had been calculated and several comparisons had been made among the costs, lengths, and types of the reviews, then other aspects of the review system were examined. For example, the responses to questions two through seven of the questionnaire (attachment 2, p. 46) were considered. Comments on some of those responses were then solicited from the HP&RD, the MHSA, the Montana Hospital Association and some of the sampled institutions. As a result, problems with the project review process were identified. Recommendations for the improvement of the review system were made after considering their comments.

RESULTS

Costs to Bureau of Health Planning & Resource Development (HP&RD)

The total operating expenses, including support personnel, per workday were $371.43. Based on estimates by HP&RD staff, 35% of this figure was attributable to project review. Therefore, the operating expenses per workday were $130.00. Since there was an average of seven projects at some stage of the review process at any given time, the average operating expenses per workday for any one project were 1/7 of $130.00, or $18.57. The operating expenses per workday for any given project, then, were ($18.57/workday) x (the length of the review in workdays).* Other cost consideration included travel expenditures and staff time. The figures in these two areas were derived from bureau records and estimates, respectively. These costs differed for each project and, therefore, cannot be given as a standard value.

Costs to Montana Health Systems Agency (MHSA)

The total operating expenses attributable to project review activities amounted to $160.32 per workday. This figure did not include the costs of staff time, travel, or the meeting of review committees. Again, the operating expenses per workday for any one project were 1/7 of $160.32, or $22.90/workday. The operating expenses for any given project, then, were ($22.90/workday) x (length of review in workdays).*

It was found that the costs of the program review, executive and subarea committee meetings were fairly consistent. An average cost of each, then, could be calculated. An executive committee meeting costs an average of $580; a program review committee meeting costs an average of $275; and a subarea committee meeting costs an average of $340. The three committee meetings involved with a standard review, then, subjected the MHSA to an average of $1,195 in expenses.

The costs of MHSA staff time were calculated using the assumption that the number of person-days of MHSA staff time involved with any review equalled that of the HP&RD. This assumption was suggested by the MHSA. An average cost per person-day of MHSA staff time had been determined to be $170.62, and the HP&RD had supplied estimates of staff time involved with each project. The cost of MHSA staff time on any one project, therefore, was ($170.62/person-day of staff time) x (number of person-days of staff time involved).

Costs to the Applicants

Information on the costs to the applicants was gathered directly from the returned questionnaires. These costs ranged from about $25.00 to $25,000; in fact, four of the sampled applicants indicated that the cost for them to undergo review was over $10,000; including $14,700 for the standard review of the formation of an Alcohol Treatment Unit (Project No.12); $14,000 for the standard review of an operating room expansion (Project No. 10); $12,000 to $18,000 for the non-substantive review of a leasing change (Project No. 22); and $10,000 to $40,000 for the reviews of a remodel-

*Length of review in workdays is defined on p. 7.

ing and its cost overrun (Project No. 6). In these four cases, the applicant costs account for 77%, 74%, 76% and 82%, respectively, of the total costs to perform review. (See Figure 1 on p.16 ; and Table 2, column 6 on p. 9) These four cases differ greatly from the other thirteen reviews studied as figures 2, 3, 4 and 5 indicate.*(on pp.17,18,19 & 20 respectively) For example, in no other projects studied did the costs to the applicant exceed $5,500; and in only one other project studied (No. 4) did the costs to the applicant exceed 64% of the total costs to perform review.

The total costs to perform the reviews ranged from $782 to $30,420. The total costs also ranged from 0.46% to 33% of the approved/disapproved expenditures. Table 2, columns 4 and 5, respectively (p. 9) are summaries of these figures. In each case, (also see figure 5, p. 20) the total costs of the type "A" projects studied (5 entries) ranged from 0.89% to 3.8% of the approved/disapproved expenditures. The total cost of the only type "B" project that was studied in detail was 1.6% of the project expenditure. The total cost of the only type "C" project studied was 5.5% of the project expenditure. The total costs of the type "D" projects studied (four entries) ranged from 0.46% to 5.2% of project expenditures. The total costs of the type "E" projects studied (two entries) were 2.0% and 26% of project expenditures. The total costs of the two type "F" projects were 9.8% and 33% of the project expenditures.** The average percentage was 5.6%.

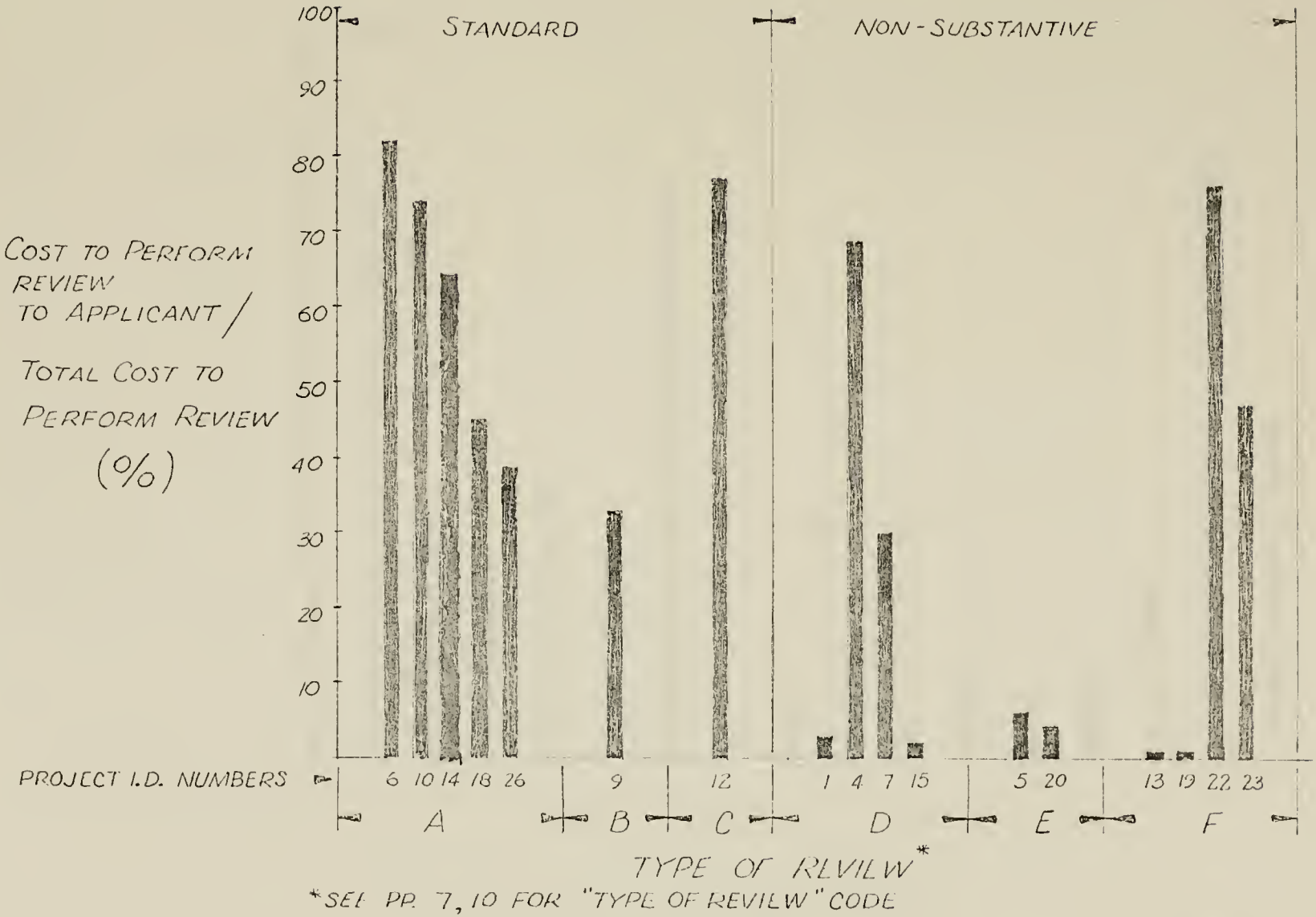
Nearly 50% of the sampled non-substantive reviews extended beyond 90 calendar days in length.(Figure 6, p. 21) Furthermore, nearly 67% of them extended beyond 60 calendar days. The seven most lengthy, as well as the four shortest reviews, were non-substantive reviews. They ranged from 14 to 533 calendar days in length. The standard reviews sampled showed more regularity with a range of from 23 to 90 calendar days. Moreover, over 53% of the standard reviews sampled took 60 calendar days or less to complete; and none extended beyond 90 calendar days since there is a 90-day time limit on standard reviews.

For each project studied, a cost of performing the review per workday was calculated. Figure 7 (p. 22) is a graph of these values in relation to the type of review in each case. Also, these values are listed in Table 2, column 7 (p. 9). Four of the seventeen projects (24%) had figures of over $260/workday. Three of the five type "A" entries were among those with figures over $260/workday; 59% of the entries were below $140/workday and 47% were below $90/workday. Eighty percent (80%) of the non-substantive reviews studied cost less than $90/workday to review. Of the standard reviews studied, 71% were above $140/workday, and all were above $90/workday.

In addition to information regarding the cost of undergoing review, the questionnaire used in this study (see attachment 2, p.46) sought information relating to the actual cost of completing the reviewed project (project expenditure), and opinions on the review process. Five of the returned questionnaires indicated that the amount of time required to undergo review affected the cost of the reviewed project. (Question 2 of the questionnaire, attachment 2, p. 46) Of the five, three quoted amounts by which the cost of

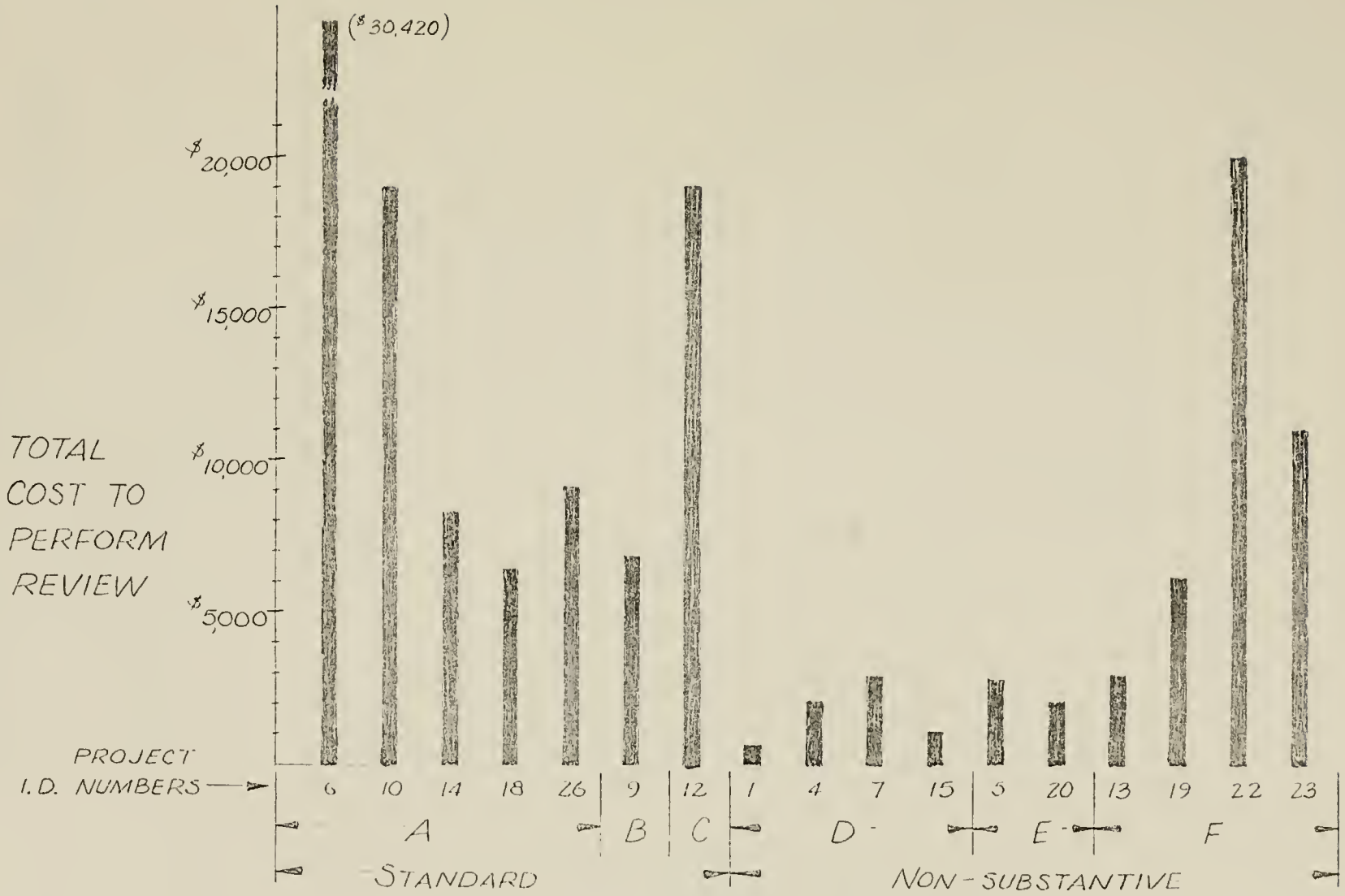
*See Project I.D. numbers 6, 10, 12 and 22.

**Since Project numbers 13 and 19 had project expenditures of zero dollars, percentages for No.s 13 and 19 could not be calculated.



*SEE PP. 7, 10 FOR "TYPE OF REVIEW" CODE

FIG. 1



*SEE PP. 7, 10 FOR "TYPE OF REVIEW" CODE

FIG 2

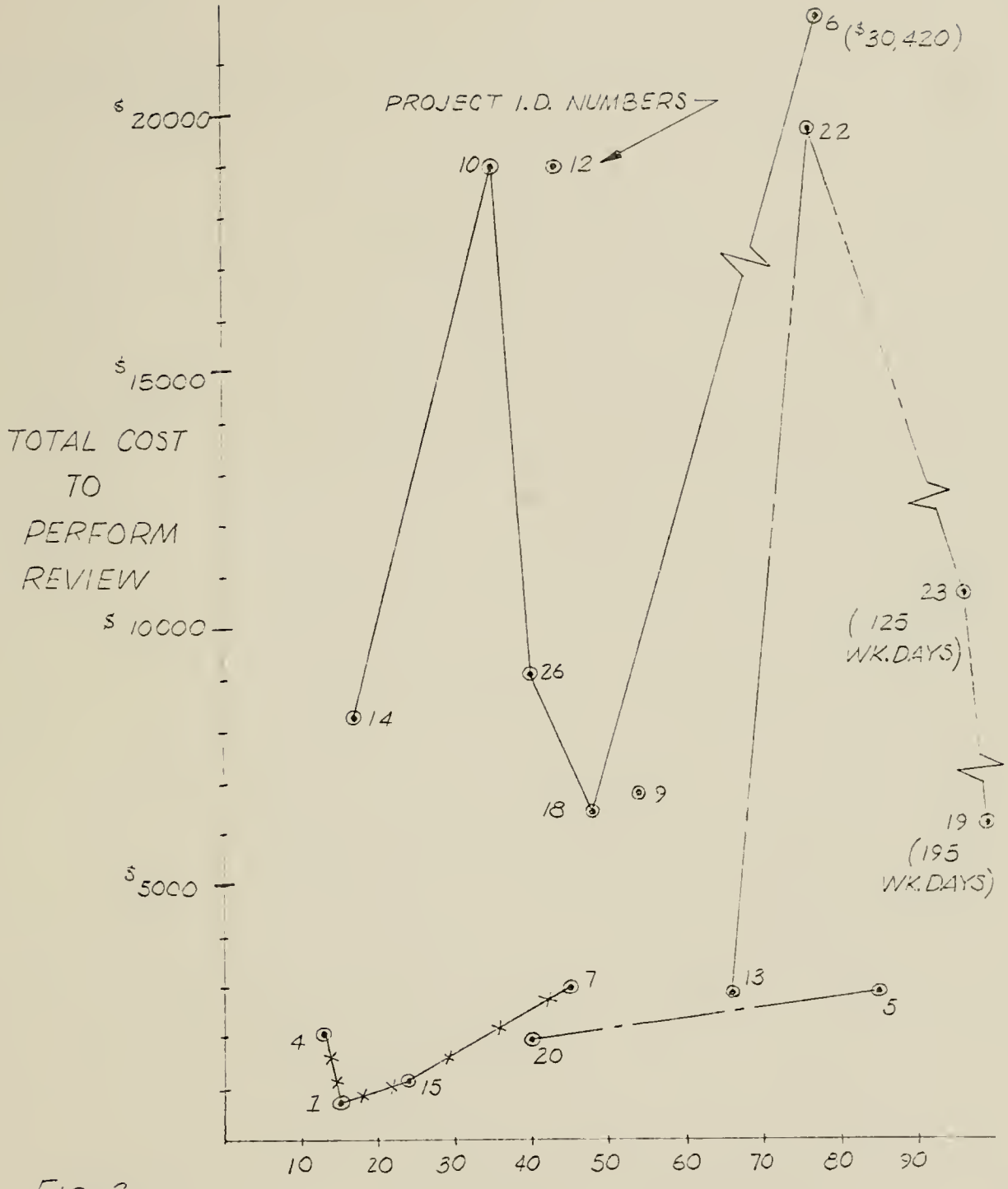


FIG. 3

*SEE PP. 7, 10 FOR "TYPE OF REVIEW" CODE

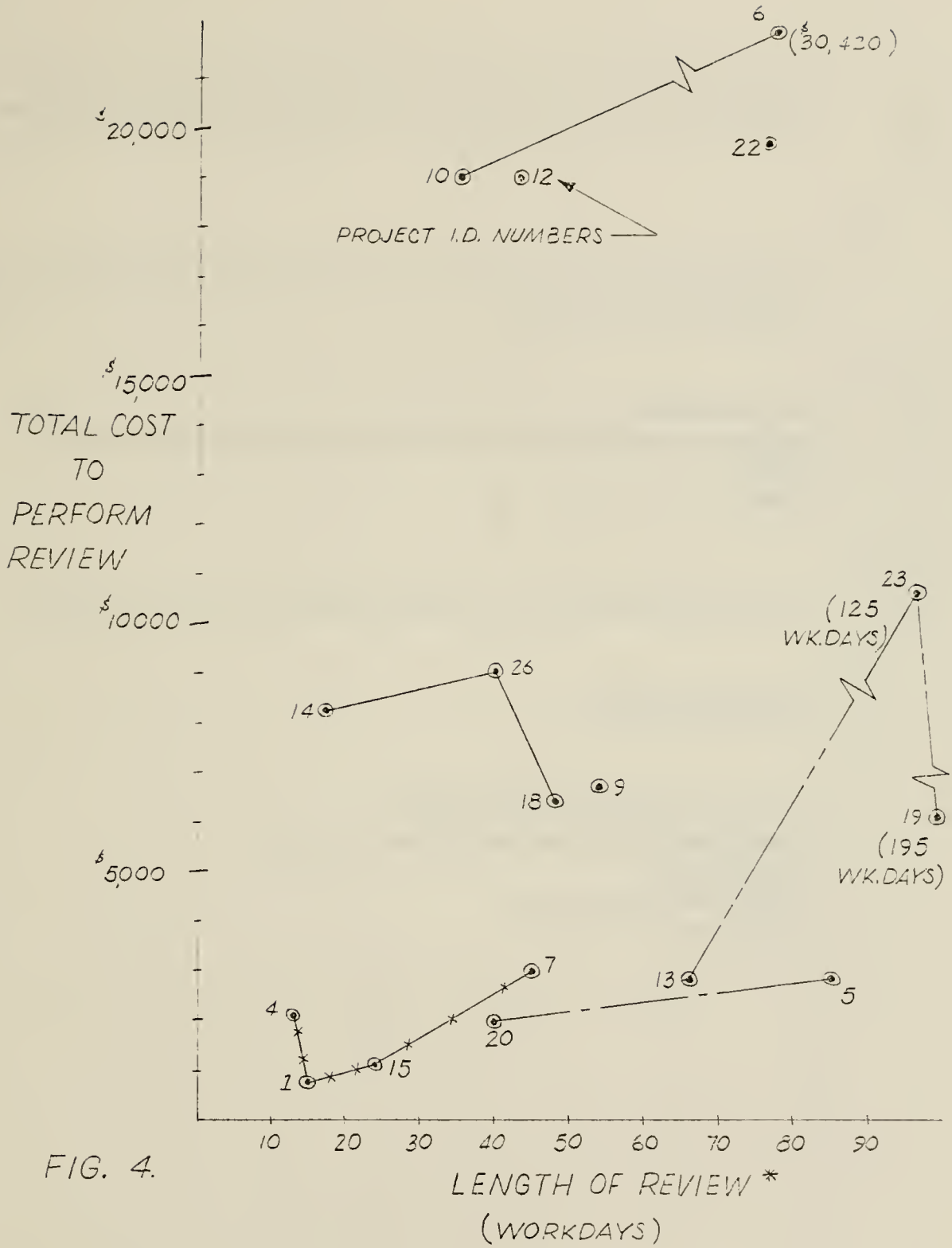


FIG. 4.

*SEE PP. 7, 10 FOR "TYPE OF REVIEW" CODE

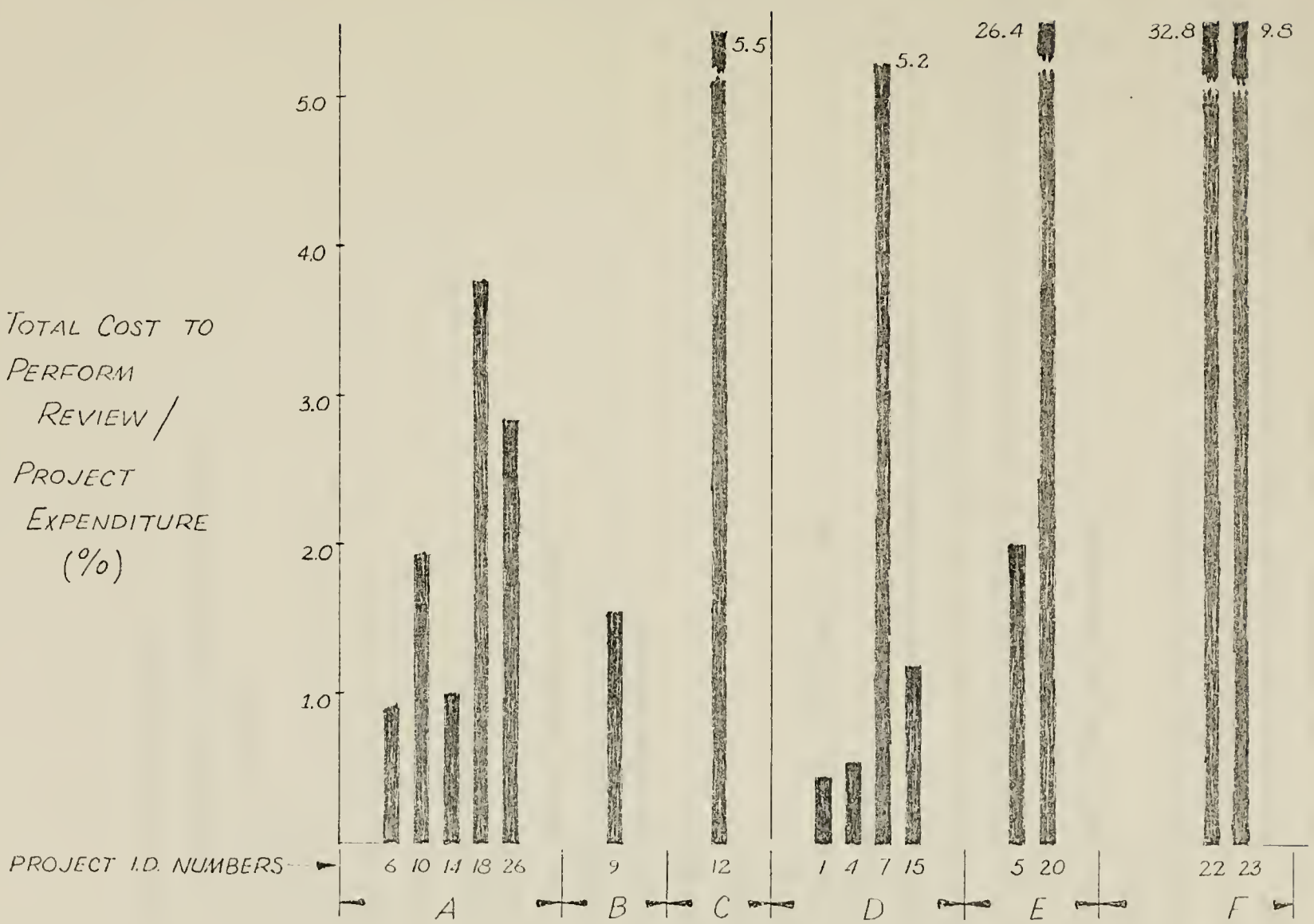


FIG. 5

*SEE PP. 7, 10 FOR "TYPE OF REVIEW" CODE

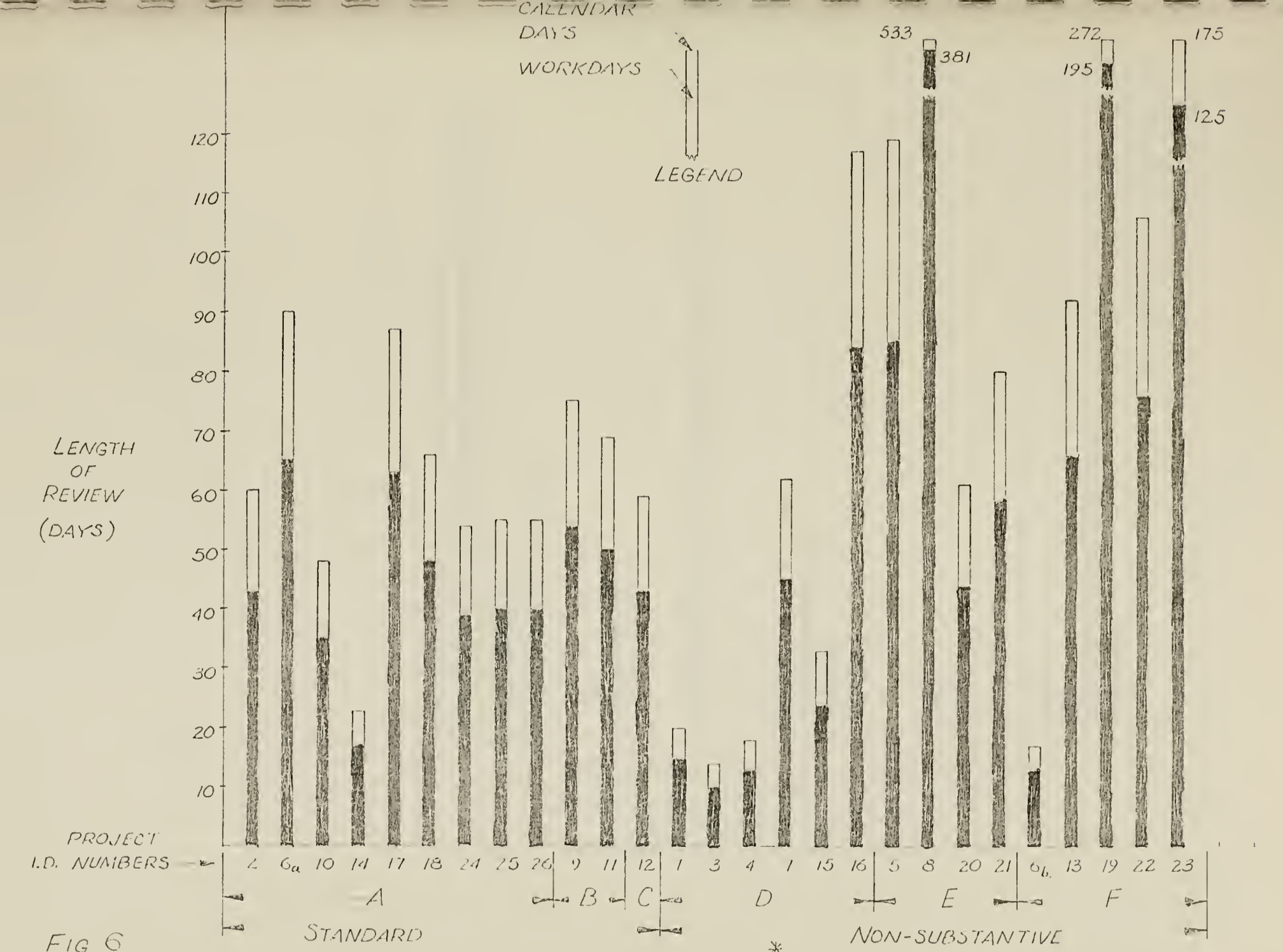
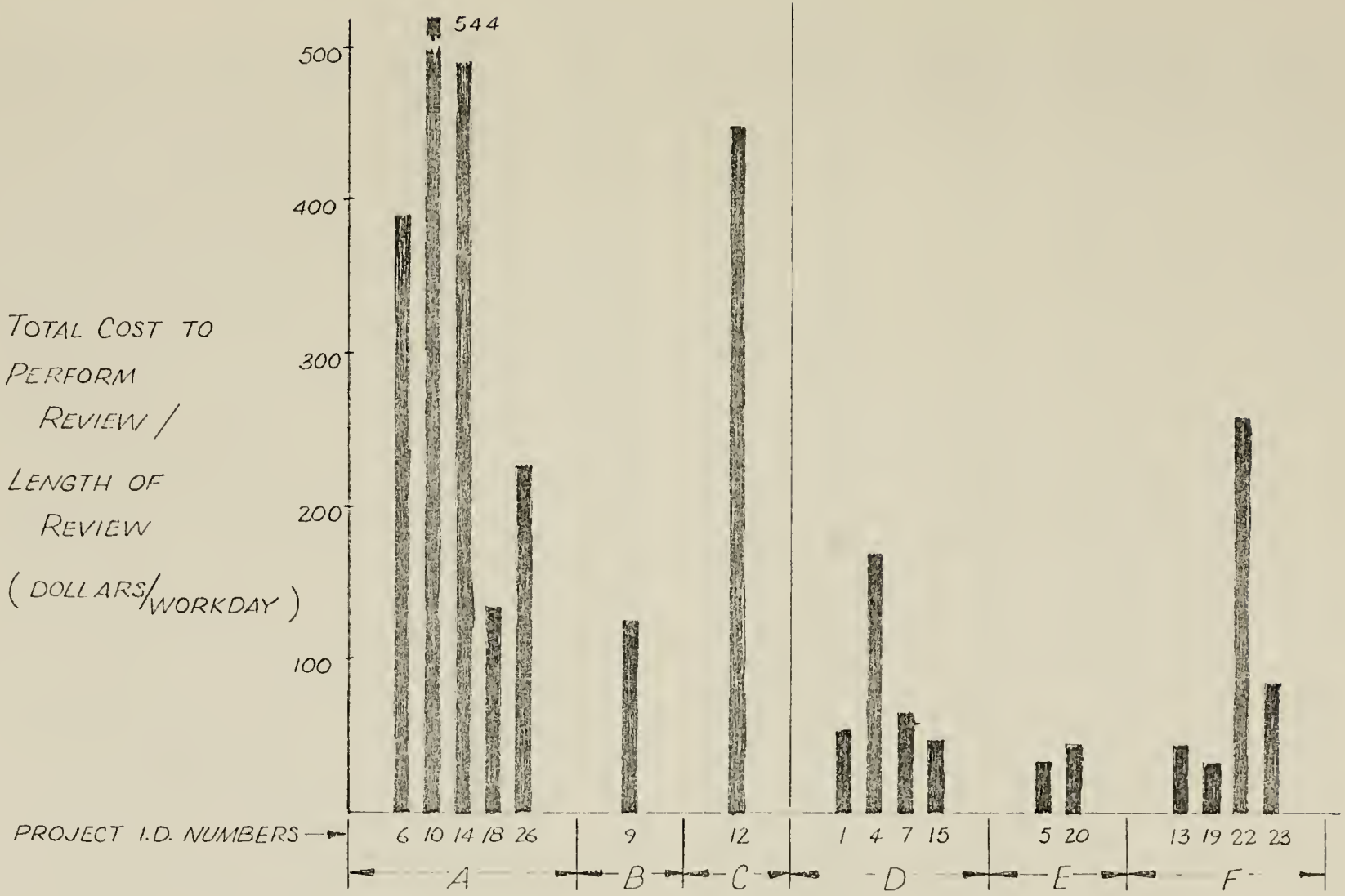

CALENDAR DAYS
WORKDAYS
LEGEND
533
381
272
195
175
12.5
120
110
100
90
80
70
60
50
40
30
20
10
LENGTH OF REVIEW (DAYS)
PROJECT I.D. NUMBERS
2 6a 10 14 17 18 24 25 26 9 11 12 1 3 4 1 15 16 5 8 20 21 6b 13 19 22 23
A
B
C
D
E
F
STANDARD
NON-SUBSTANTIVE
TYPE OF REVIEW*

FIG. 6

*SEE [illegible] FOR "[illegible]"



*SEE PP. 7, 10 FOR "TYPE OF REVIEW" CODE

FIG. 7

the project had been affected. They were: $1,500, $10,871, and $20,000. It seems that inflation over the time required for review (175, 119 and 59 calendar days, respectively) greatly affected the costs of equipment, financing, salaries, construction, and materials.

Two of the returned questionnaires indicated that their project proposals were modified as a result of having to undergo review (question 3, attachment 2, p. 46). One indicated that after several project proposals were considered, a cost of approximately $2,500 was attributable to the project proposal modifications. The other indicated that their proposal was modified (and approved) after first being disapproved in review. No additional costs or savings to the project were associated with the modifications.

Three of the returned questionnaires indicated that other projects had been considered, but were not submitted because of infeasibility (question 4 attachment 2 p. 46). Two of the three gave insufficient funds and/or manpower as the reason for not submitting the projects, while the third gave no reason.

In addition to gathering numerical data, the questionnaires asked for responses which reflected the institutions' opinions of the project review system. Nineteen of the returned questionnaires gave responses to question 5 (see attachment 2, p. 46). Forty-two percent (42%) of them indicated that the review process was moderately time consuming and expensive; whereas, 21% said that it was unreasonably time consuming and expensive. Furthermore, an additional 21% indicated that it was unreasonably time consuming with little reference to expense.

Many of the replies to questions 6 and 7 (see attachment 2, p.46), as well as other remarks throughout the questionnaires, referred either directly or indirectly to the role of politics in the review system.

Since my own personal experience with the political aspects of project review was limited, comments on this subject were solicited from the Montana Hospital Association. These comments, though not made directly by me, can be regarded as being among the information gathered by me with regard to the project review system, its problems and its improvement. As a result, it was found that politics enters into the review system in the following ways: (1) Hospitals sometimes compete for CON/1122 approval of services. The offering of certain services can be advantageous for purposes of reimbursement from third party payors, as well as for filling empty beds. This competition has been seen in instances where a more influential administrator has completed an application and lobbied for a proposal before another institution in the same general area could. If approval is granted, it is, of course, granted to the institution which has completed the application first. Furthermore, if the need for that service has then been met, any subsequent applications to add that same service will probably be denied; (2) There is opportunity for subarea, program review, and executive committee members to be subject to bias. For example, the members of these committees usually receive copies of the completed application, the minutes of any previous review meetings or hearings, and the MHSA staff report prior to their respective meetings. However, under unusual circumstances, some of this information is not available until the time of their meetings. The MHSA staff, then, is often called upon to supply missing information or details. Furthermore, this information is

often delivered verbally, from memory, and with little or no reference to records of any kind. Consequently, interactions between the MHSA and the applicant can have crucial effects on the recommendations of the review committees. By the same token, applicants or other committee members are often asked to respond verbally to questions which arise during a review meeting. The responses and opinions of influential people can carry great weight in the eyes of the committee members, and, hence, affect the final recommendations; (3) in the interpretation of numerical data (e.g., financial, bed need, patient origin, etc.) there is a great opportunity for manipulation. Since it is uncommon for review committees to examine calculations in detail, the review committees can be unintentionally or intentionally misled by the information they receive; (4) if a controversial proposal of a large institution is undergoing review, the threat of an embarrassing, costly appeal is much stronger than when a smaller institution's proposal is being considered. This, too, can affect recommendations and decisions of the review committees.

Other problems with the review process have also been identified. Many of these identifications were made previous to this study, when the Montana Hospital Association (MHA) made an examination of the review process. The MHA has allowed their findings to be incorporated in the following paragraphs with those of this study as information gathered for the purpose of improving the project review system.

During a project review, "new information" is disallowed at subarea hearings. This is contrary to the concept of an open hearing and hinders the MHSA from basing its final decision on all relevant information about the project.

The line between what is "new information" and what is an "other interpretation" of information is very thin. This will lead to subjective decisions as to what is allowable testimony at subarea hearings.

There is a natural tendency to re-review the project at both the program review and executive committee levels.* This not only defeats the purpose of having the subarea councils, but it is unfair to proponents and opponents of projects alike since neither committee has available for its review detailed transcripts from the subarea hearings.

As mentioned previously, the program review and executive committees have only the minutes of the subarea hearings as written accounts of the proceedings of those hearings. Naturally the minutes, which must summarize up to six hours of discussion, often neglect many of the finer points of the discussion. As a result, their consideration of a project is sometimes based on somewhat incomplete information.

The MHSA program review and executive committees have duplicate roles.* There are esentially no deadlines imposed on the reviewing agencies by which they must declare a project non-substantive or standard. Also, in the case of non-substantive reviews there are no deadlines by which the reviewing agencies must request additional information or make a final decision of approval or disapproval.

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*During the writing of this report, the MHSA program review committee was relieved of its function as a regular participant in the standard review process. That action, however, was not taken as a result of this report.

In the case of a standard review, there are very often requests for additional information. This information can be time consuming and expensive to answer. Also, there is little opportunity for an applicant to fully explain his intentions, as well as concerns regarding the application. Overall, there is often little communication between the reviewing agencies and the applicant outside of the application itself.

Although little can be done to avoid the role of politics in the review system, some of the other problems with the current review system in Montana are dealt with in the recommendations section of this report.

- Discussion -

Although the true costs of performing each of the project reviews studied could not be calculated accurately due to time and expense constraints, certain assumptions can be made from the results. For instance, since the costs of all reviews studied were calculated in a consistant manner, they probably reflect fairly accurately the costs of the reviews in relation to one another. That is, if the total cost to perform project review "X" was found to be twice the total cost to perform project review "Y", then, although the total costs to perform project reviews X and Y may not be fully accurate, review X probably did cost approximately twice the amount of review Y. Another factor which should be discussed here is the effect that inflation has on the results. Some of the project reviews studied were begun as early as February 1975, while some were finished as late as May 1978. Inaccuracies result when one assigns as standard "cost per workday" in calculating the operating expenses for project reviews which have been sampled over this length of time. Since the "cost per workday" figures used in calculating operating expenses were derived from recent budget summaries, they are, due to inflation, higher than the "cost per workday" figures of previous years. Therefore, the operating expenses of a project review which took place in 1976 have been inflated, since they reflect expenses in "today's dollars" as opposed to "yesterday's dollars". "Today's dollars" were also used in calculating the cost of staff time involved with each review. On the other hand, "costs to the applicant" were given in "yesterday's dollars". These deflated values should partially cancel the inflated figures mentioned previously. Nevertheless, it is felt that the findings of this study approximate, within reason, the true costs of the project reviews. In any event, by examining the results of this study, the most expensive and problem areas of the project review system can be located. That is, in fact, the main purpose of this study.

Figure 1 (p. 16) indicates that in project numbers 6, 10, 12, 4 and 22 the cost of undergoing review to the applicant exceeded 64% of the total cost to perform the review. Also, numbers 6, 10, 12 and 22 were, by far, the most expensive reviews to perform, as figure 2 (p. 17) shows. This indicates that in each of the four of the most expensive project reviews, the cost to the applicant was the outstanding cost, accounting for from 74% to 82% of the total cost of performing the review. Costs to the HP&RD and the MHSA, then, accounted for from 26% to 18% of the total costs in these four reviews. In two of these cases, administrative and clerical, and consultant expenses accounted for the bulk of the cost to the applicants. Each of these projects was either more complicated or controversial than most.

Figure 1 (p. 16) also shows that the cost of undergoing review to the applicant on a standard review, generally, will account for at least 32% of the total cost of performing the review. In fact, in standard reviews the costs to the applicants averaged about 58% of the total costs. These percentages for non-substantive reviews ranged from less than 1% to about 76% and they varied so much that an average percentage would have little meaning.

Figure 2 (p.17) indicates that, in general, non-substantive reviews are less expensive to perform than standard reviews. The total cost to perform the non-substantive reviews averaged $5,145; whereas, the total cost to perform the standard reviews averaged $14,173 - quite a difference. With the exception of project No. 22, no non-substantive review studied exceeded $11,000 in total cost.

It is evident in figure 3 (p.18) that project numbers 6, 10, 12 and 22 are rather unique with respect to the other projects studied. As mentioned previously, the costs to the applicants of these four project reviews account for the bulk of the total cost to perform the reviews. An attempt was made to contact the administrators who underwent project review numbers 6, 10, 12 and 22 for explanations of why the costs of these four projects were so high. Unfortunately, the administrators could not be contacted in time for those explanations to be included in this report. Assuming these four projects to be unusual, figure 4 (p. 19) illustrates the same information as figure 3 with the exception that project numbers 6, 10, 12 and 22 remain separate from the other projects. Some basic patterns, in fact, can be seen among the other projects. The type A projects - numbers 14, 26 and 18 - span approximately the same length of review as the type D projects; whereas, those type A projects occupy a region of high total cost than the type D projects. Those type A projects averaged 35 workdays and about $8,000; while the type D projects averaged about 24 workdays and $1,776. The type F projects spanned wide ranges in length and total cost; hence any averages of length or total cost would have little meaning. Little can be derived from the pattern of the type E projects due to their small sample size (two entries), as well as with the type B and C projects with one entry each (numbers 9 and 12, respectively).

By examining figure 5 (p. 20), it can be seen that the total costs to perform one-third (five entries) of the project reviews graphed exceeded 4% of their project expenditures.* Of those five entries, four are non-substantive reviews. Furthermore, of those four, three are the highest of all, with percentages of 32.8%, 26.4% and 9.8%. In the case of number 20, the unusually low project expenditure of $8,000 (the lowest actual expenditure of the projects graphed in figure 5) forces the total cost to perform the review ($2,110) to appear very high. However, since the total cost to perform that review is the third lowest of the projects studied, the high percentage is caused merely by including an unusually low project expenditure in the comparison.

In the case of number 22, the relatively low project expenditure of $30,000 (fifth lowest of all projects studied), when compared to a relatively high total cost to perform the review ($19,700-the second highest of all projects studied), yields this high percentage. Number 22 is one project in which the cost to the applicant is $15,000 or 76.3% of the total cost to perform the review. The high percentage of number 23 (9.8%) is caused by the high total cost to perform the review ($10,700-fifth highest of all projects studied) as compared with the project expenditure of $109,000. In this instance, the cost to the applicant to undergo review is nearly half of the total cost of the review (46.8%).

Although figure 5 (p. 20) shows that the non-substantive reviews studied include the three with the highest total cost to perform review/project expenditure percentages, they also contain the two with lowest percentages (numbers 1 and 4). This merely demonstrates that the non-substantive reviews studied show wide diversity in nature; and that an average of these values would have little meaning. The standard review entries on this graph also show wide variability, ranging from less than 1% to about 5.5%, with an average of 2.5%;

*The project expenditures of project numbers 13 and 19 were $0; therefore this percentage could not be calculated for those two projects.

$41 per workday, respectively (Figure 7, p. 22). In all other cases, no other conclusions could be made for one of two reasons; namely, there was only one entry of that particular type of review, or the range of values of that particular type of review was so broad that an average figure would be unreliable, or askewed.

Costs/Benefits

In looking over the returned questionnaires, it seems that there were a large number of comments implying that the review process was both time consuming and expensive. Input from the Montana Hospital Association and HP&RD allowed us to examine the costs and benefits of the review process.

Costs

The monetary costs among the HP&RD, MHSA and the applicant are due to the staff time and operating expenses involved, travel and consultant fees, committee meetings, hearings, and inflationary effects on project costs. In many cases, the applicant undergoes the majority of monetary expenses associated with project review. There have been cases where an applicant lost the financing of a project due to the time delays involved with review. We have seen that the total cost to perform a review can exceed $30,000; furthermore, the time involved with performing one review affected the cost of completing that project (project expenditure) by $20,000.

Throughout the review process, there is much opportunity for the reviewing agencies to become "regulating agencies", by abusing their role in the review process. For example, if reviewing agencies base their decisions on factors which do not apply to the "need" for the project or the cost of the project, they are, in fact, acting as "regulating agencies". This could also be seen if reviewing staff are determined to "find something wrong" with an application. Lengthy reviews which could result are expensive and do not serve the true purpose of the review system. When reviewing agencies and committees lose track of their real goals (i.e. to see that health care needs are met and costs are contained), reviews can become extremely expensive.

The reliance of review agencies on "numbers" to determine health care needs often is not in accordance with their seeing that health care needs are met. The review of a rural hospital project, for instance, can be as expensive as any other review. Although duplication of services is hardly a problem in rural areas, the need or cost of an additional service may not be determined by calculations alone. In a rural town, a hospital is a source of employment as well as town pride. The townspeople may actually support the addition of a service, in spite of its duplication, so that they can rely on their own hospital for health care. However, there have been cases where such duplication has been strongly opposed by the review agencies, while strongly supported by the townspeople. The effectiveness of health care is referred to in a number of places among the "criteria for determining need" in the program review manual for the State of Montana.[9] The question of whether the health care offered by such duplicated services is more "effective" is beyond the realm of this study; furthermore, such duplicated services could be in direct violation of the State Health Plan. One of the potential costs of the review system is, however, that overlooking such aspects of the determination of need could be at the expense of not providing "effective" health care.

Another "cost" of the review system worth mentioning is the opportunity for a "bad attitude" among the review agencies and applicants to arise, due to the inconveniences and expenses associated with project review. One can see also that personality conflicts among staff members of the reviewing agencies and/or the applicants can have adverse effects on the efficiency of a project review.

Benefits

One of the benefits associated with the review process is the fact that it encourages institutions to make their long-range plans compatible with the State Health Plan.

In cases where manpower and financial feasibility as well as need for the project have not been very carefully considered, project review requires that these considerations are made.

Project Review discourages duplication of expensive services (e.g., cat scanner, linear accelerator, open-heart surgery) in multi-institutional cities. By the same token, the philosophy that health care is a free enterprise system--which can cause the duplication of expensive services--is also discouraged.

Project Review encourages the sharing of services and makes institutions aware of the developments of other institutions (by way of 100 mile notices).

Project Review often encourages institutions to undertake smaller-scale projects than originally proposed, which helps avoid large, empty hospitals or nursing homes.

Recommendations

Upon examination of the review process and the problems associated with it, the following recommendations have been made in an attempt to make the project review system more efficient and effective. It must be noted that recommendation numbers 7 through 11 were derived from a list of suggestions made by the MHA. Those recommendations, though not a result of my own personal experiences, are regarded as information gathered by me in the interest of improving the effectiveness and efficiency of the project review system. With that in mind, the MHA has allowed me to include those recommendations among my own.

1. The applicant should have on the letter of intent form, an opportunity to request a non-substantive review, and space for their justification of the request should be provided. In this manner, many requests for additional information could be eliminated.

2. A deadline by which a review must be declared either non-substantive or standard should be imposed 15 days past the receipt of a letter of intent. This would be one step toward shortening the length of non-substantive reviews.

3. A deadline should be placed 15 days past the date that a project is declared non-substantive by which requests for additional information must be made.

4. A deadline should be placed 60 days past the date that a project is declared non-substantive by which a recommendation must be sent to the SHPDA by the HSA.

5. A deadline should be placed 90 days past the date that a project is declared non-substantive by which a final decision must be sent by the SHPDA to the applicant.

6. In the case of a standard review, if the SHPDA or MHSA requests additional information it should be mandatory that a conference is held among the applicant, the MHSA, and the SHPDA. The purpose of this conference would be to discuss and record additional information to the application, any concerns of either party which apply to the proposal, and any other pertinent matters. Either party should be allowed to have any consultants or advisors present. Such a conference would help promote communication among the parties as well as eliminate many of the costs associated with the gathering and processing of additional information. Also, on-site inspections of the institution could be conducted at this time, yielding better informed review agencies.

7. Sub-area public reviews should have no restrictions on the presentation of new information or other interpretations of information. The only restriction at the sub-area level should be that applications cannot be altered after having been declared complete.

8. Sub-area councils should, in addition to voting for or against the proposal, record whether it feels the project meets each of the

criterion under CON and 1122. Council members are currently requested to indicate which criteria the project meets and which it doesn't as a guide to their final vote for or against the project, so it is merely suggested this process be formalized. Each member would fill out a form or tally sheet, indicating for each of the criterion 1) Yes (it meets the criterion) or 2) No (it does not) or 3) uncertain (it is not certain that the criterion is met).

9. MHSA staff should make recommendations for or against the proposal after the sub-area public hearing. In developing their recommendations the staff should take into consideration the application, the information from the sub-area hearing and the council members' review of the CON and 1122 criteria.

10. The MHSA Program Review Committee should no longer have a role in project reviews. Since the decision to recommend approval or disapproval os a project would no longer be made at the sub-area level, the current function of the Program Review Committee to insure that sub-area recommendations are consistent with Governing Board guidelines and criteria becomes unnecessary. Because of the small size of the Program Review Committee and narrowness of its representation, it is not the appropriate committee to develop recommendations on project reviews under any new review process.*

11. The MHSA Executive Committee should make a recommendation for approval or disapproval of the project based on the application, minutes of the sub-area hearing, the staff recommendations and the sub-area council's review of the application and of the CON and 1122 criteria. This would necessitate a delay of at least 7 days between the sub-area review and the MHSA Executive Committee meeting so that the minutes of the hearing could be prepared and MHSA staff could develop recommendations. Other possible input could consist of a report by the sub-area council chairperson. It is also recommended that the applicant be given the opportunity to clarify any questions regarding the application or the applicant's presentation at the sub-area hearing.

*During the writing of this report, the MHSA Program Review Committee was relieved of its functions as a regular participant in the standard review process. That action, however, was not taken as a result of this report.

Acknowledgements

Special thanks are extended to the many people of Montana who enabled me to have such a wonderful summer while learning so much in the course of my work.

I am especially grateful to WICHE and my sponsor, the Bureau of Health Planning and Resource Development of the State of Montana, for giving me the opportunity for serving them as a summer intern. The experience and knowledge I have gained through my work this summer has already proven itself valuable to me in a great number of ways. Moreover, many of the memories from this summer will always be with me, I am sure.

I give my very special thanks to the members of my Advisory Committee, namely, Charles Aagenes, Judith Johnston, and David Thomas. I am indebted to them for their endless efforts, help and support toward the completion of this report.

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Virginia Getz, Health Planner
Albert Niccolucci, Patient Origin Study Specialist
Barbara Crebo, Interagency Coordinator
Carolyn Turcotte, Secretary
Elly Rennick, Librarian
Doris Downs, Secretary
Georgia Barker, Secretary
Sherryl English, Secretary

Montana Health Systems Agency

Ralph Gildroy, Executive Director
Bert Glueckert, Director of Plan Implementation
Vearle Addy, Subarea Coordinator
Pricilla Richardson, Secretary
Gerry Reeves, Secretary

Montana Hospital Association

William Leary, Executive Vice President
Ken Rutledge, Director of Planning & Development

Other Agencies

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Sheryl S. Locke, Senior Research Analyst, Minnesota Hospital Association
Joan Forde, Research Secretary, Minnesota Hospital Association
Stewart C. Smith, ACSW, Assistant Director, Planning & Research, Utah
Fred S. Kellow, Assistant State Administrator, Director SHPDA, Wyoming

Footnotes

1. Health Planning & Resource Development Act of 1974, U.S. Department of Health, Education, and Welfare Publication No. (HRA) 76-14015, U.S. Government Printing Office 1975, page 7.

2. Ibid, page 10.

3. Ibid.

4. Montana Health Systems Agency, Inc. and Department of Health and Environmental Sciences, State of Montana, general information, Program Review Manual, pp. 1-13, 1-14.

5. Ibid, pp. 1-14, 1-15.

6. Ibid, pp. 2-1, 2-2, 2-3, 2-4, 2-5.

7. Ibid, page 2-3.

8. Ibid, pp. I-13, I-14, I-15.

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Rutledge, Kenneth, Director of Planning and Development, Montana Hospital Association, unrecorded interviews on July 20 and 21, 1978, Montana Hospital Association, Helena, Montana.

U.S. Department of Health, Education, and Welfare, Health Planning & Resource Development, publication No. (HRA) 76-14015, U.S. Government Printing Office, Washington, D.C., 1975.

Attachment 1a.

Attachment 1a.

STANDARD CON/1122 REVIEW PROCESS

The applicant notifies the MHSA and the SHPDA of a project through a Letter of Intent. Upon receiving a Letter of Intent, the SHPDA and MHSA forward the applicant an application form. For awareness of the proposal, the SHPDA sends out notices of the proposal to all facilities within 100 miles of the proposal site which provide the same services. The applicant fills out the application, and sends copies to both the SHPDA and the MHSA. The date SHPDA and MHSA receive a copy of the application serves as the first of the fifteen days that SHPDA and MHSA have to determine if the application is complete. Additional information may be requested of the applicant if the application is not deemed complete.

Upon receiving the additional information, or when the application is declared complete, the ninety day review period begins.

All institutional providers are informed by a review memo from the SHPDA/MHSA. Also, within seven days of the declaration that the application is complete, the SHPDA sends out notices of the proposal to all facilities within 100 miles of the proposal site which provide the same services. From the day that the application is declared complete, the applicant has 25 days in which to request a public hearing.

The MHSA sends copies of a complete application to the following organizations for their comments concerning the project:

1) Montana Foundation for Medical Care (Montana Professional Standards Review Organization) (MPSRO)

2) Montana Hospitals Rate Review System (MHRRS)

3) Department of Social and Rehabilitation Services, Bureau of Medical Assistance, Division of Economic Assistance (DSRS)

The organizations are requested to provide the MHSA with their comments within thirty days so the information can be sent to a subarea committee prior to the review meetings.

The review by the subarea program review committee is either a public meeting or a public hearing depending on whether a request for a hearing has been received by the SHPDA/MHSA.

The Subarea Committee (Subarea) may make a recommendation to the Program Review Committee (Program Review) of the MHSA governing board. The Program Review Committee reviews the actions of the Subarea Council; insures that the proper procedures have been followed, and makes a recommendation to the Executive Committee (Exec.) of the MHSA.

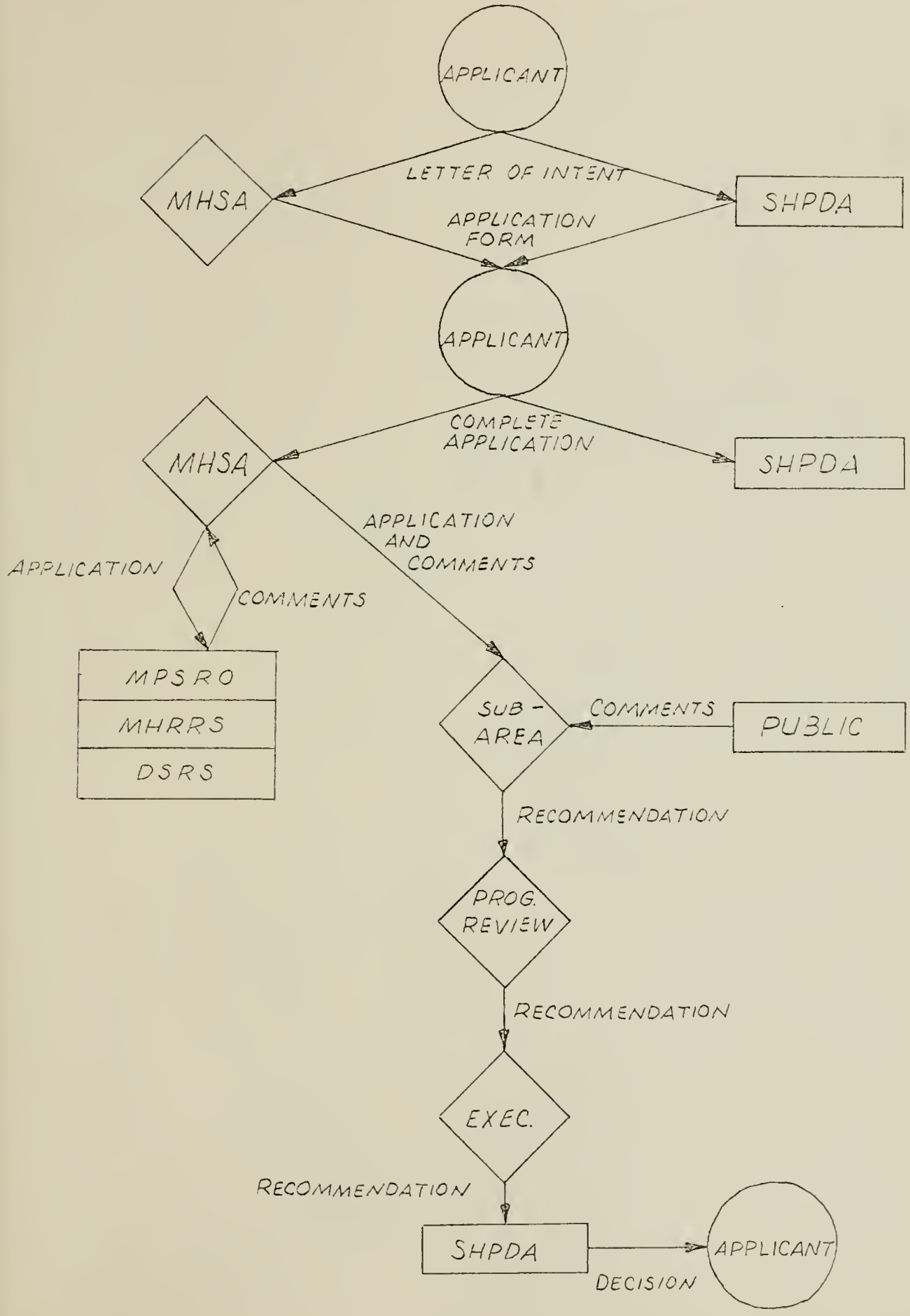
The MHSA Program Review Committee may meet between the 40th and 50th day after the application is declared complete.

The Executive Committee acts for the governing board of the MHSA and sends its decision and documentation to the SHPDA with 60 days; in special instances within 70 days.

The SHPDA, based on the recommendation of the MHSA, and the criteria adopted, makes a decision of approval or disapproval of the application.

In cases where the SHPDA disagrees with the MHSA, the applicant requests a reconsideration hearing, or any person requests a reconsideration hearing, special procedures are undertaken. These special procedures are reserved for unusual circumstances and will not be discussed in this study report.

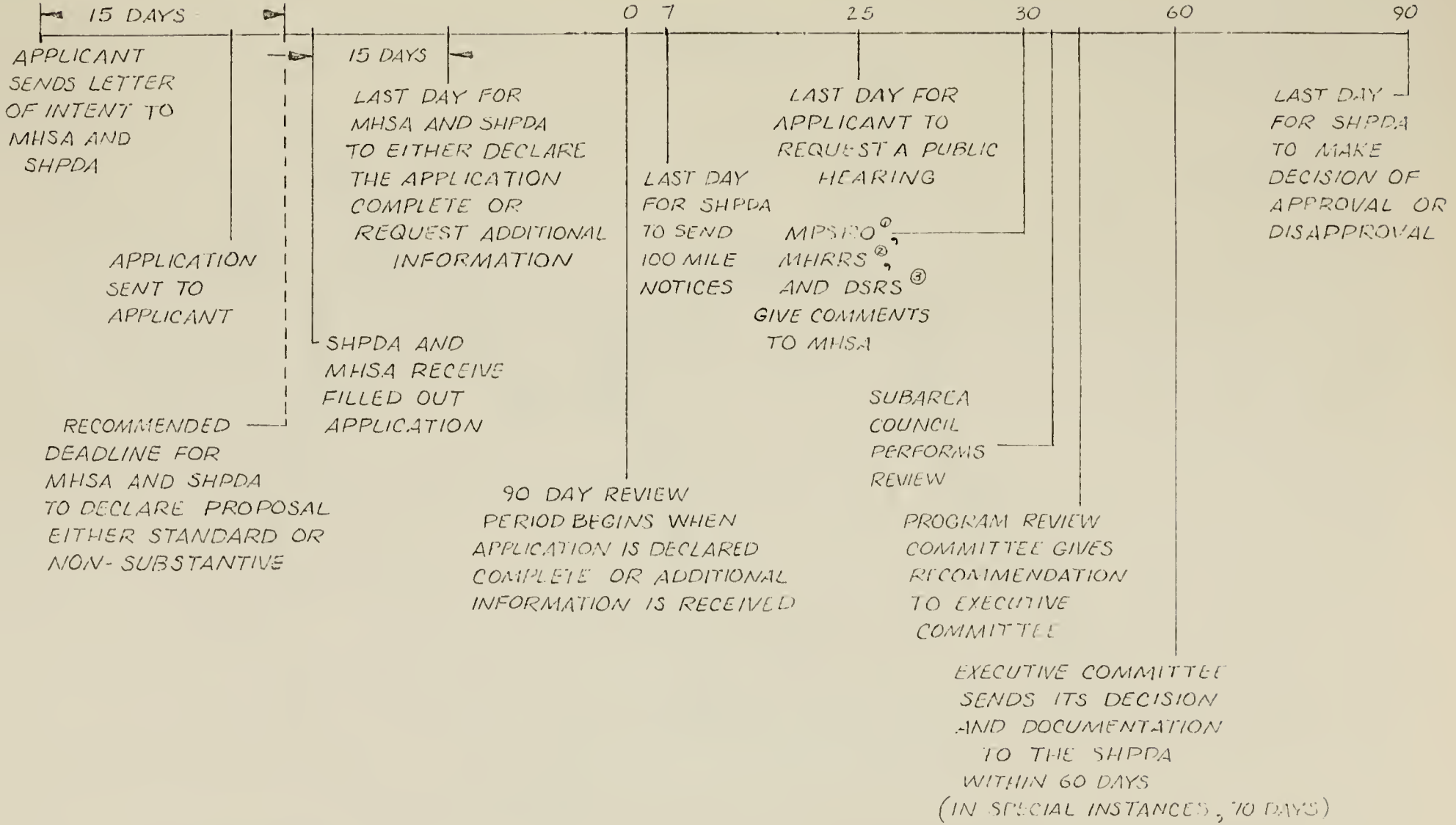
STANDARD CON/1122 REVIEW PROCESS



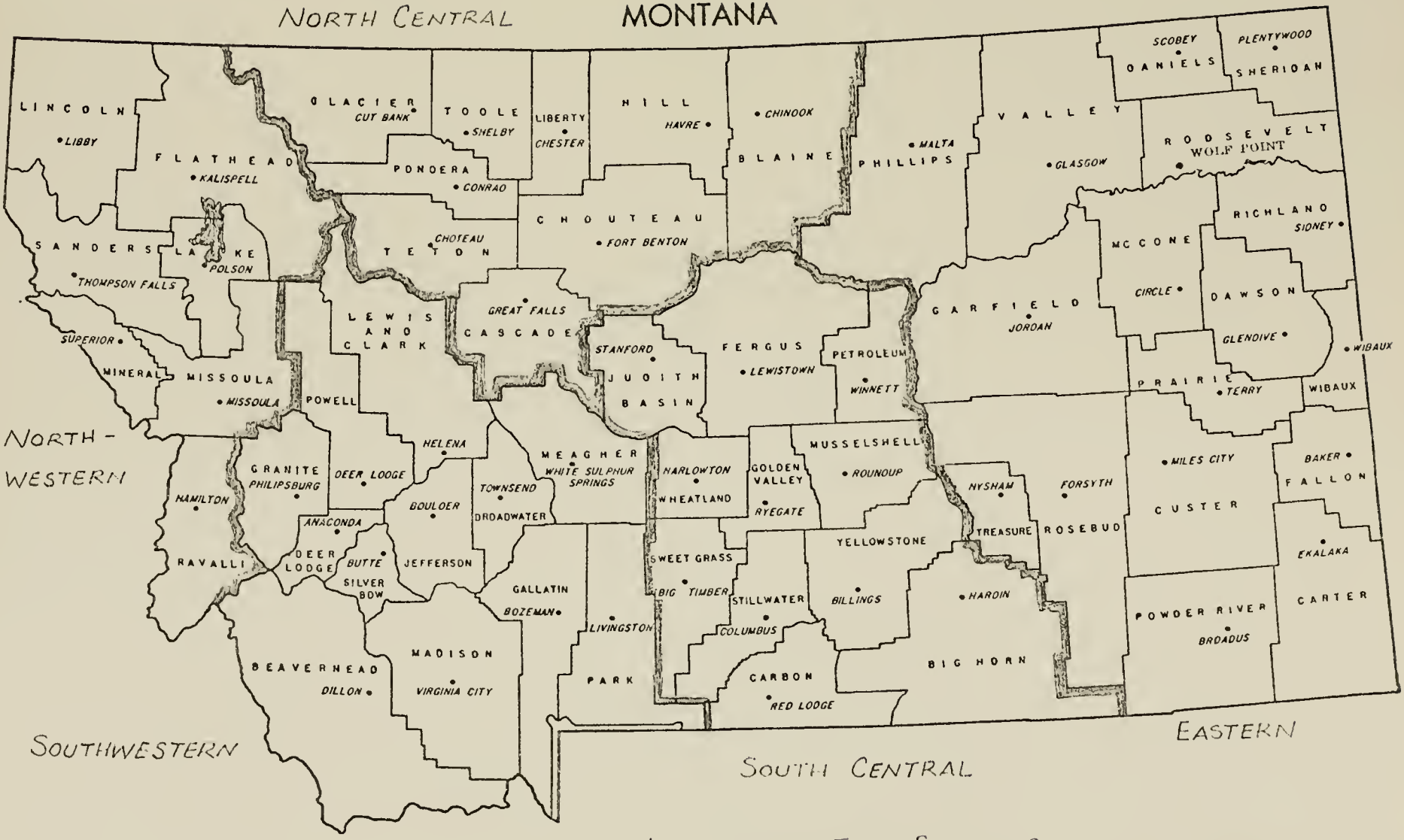
ATTACHMENT 1a

J. ROZUSTO 7-20-78

STANDARD REVIEW PROCEDURE


15 DAYS
0
7
25
30
60
90
APPLICANT SENDS LETTER OF INTENT TO MHSA AND SHPDA
APPLICATION SENT TO APPLICANT
RECOMMENDED DEADLINE FOR MHSA AND SHPDA TO DECLARE PROPOSAL EITHER STANDARD OR NON-SUBSTANTIVE
15 DAYS
LAST DAY FOR MHSA AND SHPDA TO EITHER DECLARE THE APPLICATION COMPLETE OR REQUEST ADDITIONAL INFORMATION
SHPDA AND MHSA RECEIVE FILLED OUT APPLICATION
90 DAY REVIEW PERIOD BEGINS WHEN APPLICATION IS DECLARED COMPLETE OR ADDITIONAL INFORMATION IS RECEIVED
LAST DAY FOR SHPDA TO SEND 100 MILE NOTICES
LAST DAY FOR APPLICANT TO REQUEST A PUBLIC HEARING
MPSRO ①, MHRRS ②, AND DSRS ③ GIVE COMMENTS TO MHSA
SUBARCA COUNCIL PERFORMS REVIEW
PROGRAM REVIEW COMMITTEE GIVES RECOMMENDATION TO EXECUTIVE COMMITTEE
EXECUTIVE COMMITTEE SENDS ITS DECISION AND DOCUMENTATION TO THE SHPDA WITHIN 60 DAYS (IN SPECIAL INSTANCES, 70 DAYS)
LAST DAY FOR SHPDA TO MAKE DECISION OF APPROVAL OR DISAPPROVAL

①MONTANA PROFESSIONAL STANDARDS REVIEW ORGANIZATION
②MONTANA HOSPITALS RATE REVIEW SYSTEM
③ DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES



No. 1052 — County Outline Map
STATE PUBLISHING COMPANY
Helena

MONTANA'S FIVE SUBAREAS

ATTACHMENT 1a.
-41-

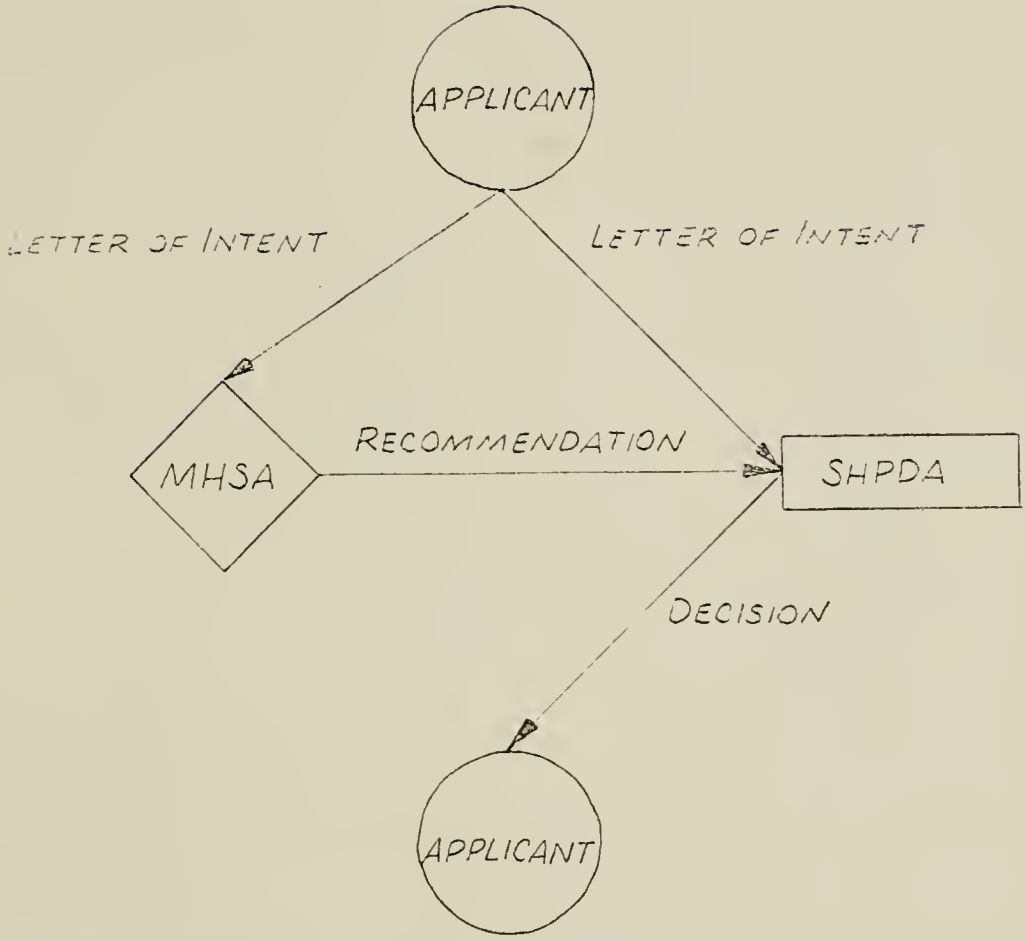
Attachment 1b.

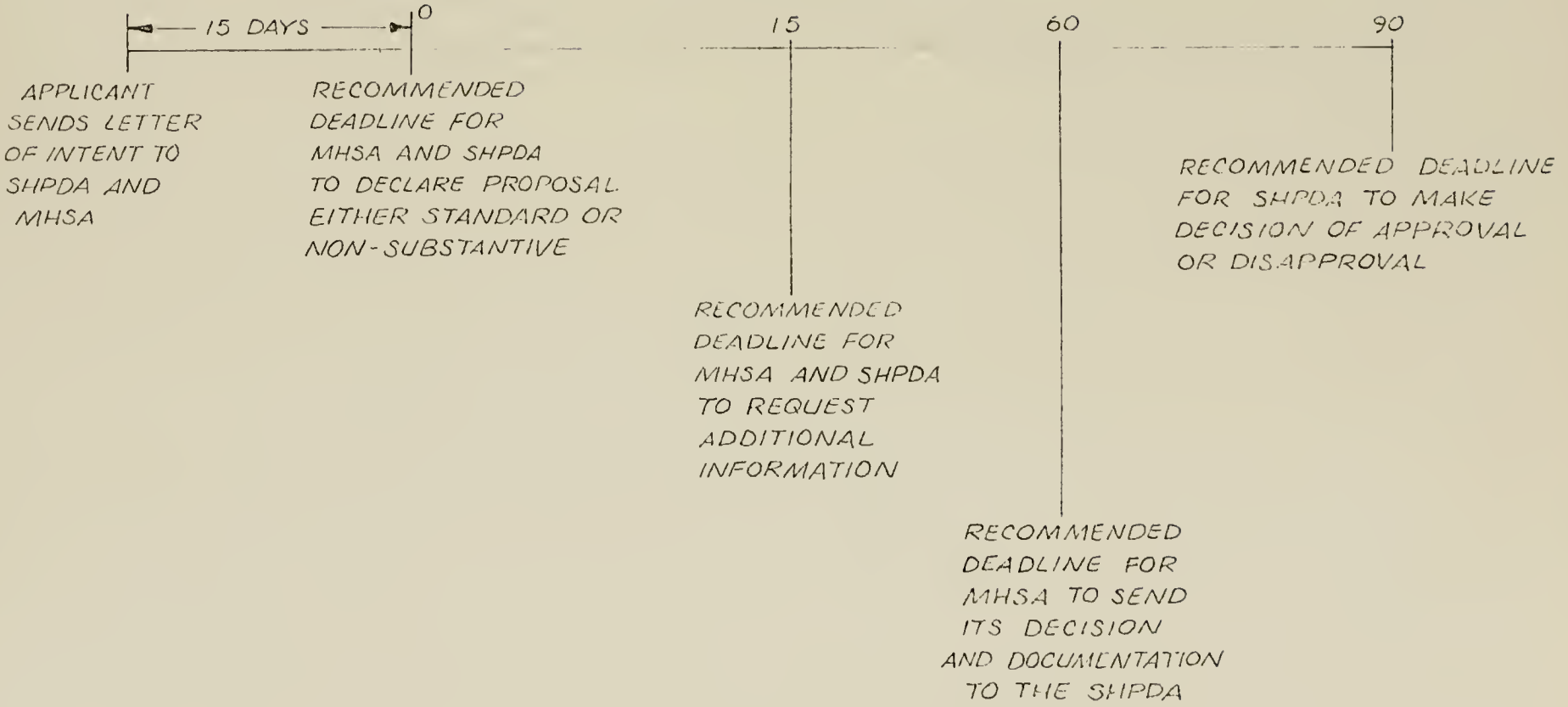
Attachment 1b.

NON-SUBSTANTIVE CON/1122 REVIEW PROCESS

The applicant notifies the MHSA and the SHPDA of a project through a Letter of Intent. Additional information may be requested by the SHPDA/MHSA. The MHSA reviews the proposal and sends its recommendation to the SHPDA. Public meetings or hearings may be held in special instances. The SHPDA, based on the recommendation of the MHSA and the criteria adopted, makes a decision of approval or disapproval.

NON-SUBSTANTIVE CON/1122 REVIEW PROCESS




15 DAYS
0
15
60
90
APPLICANT SENDS LETTER OF INTENT TO SHPDA AND MHSA
RECOMMENDED DEADLINE FOR MHSA AND SHPDA TO DECLARE PROPOSAL EITHER STANDARD OR NON-SUBSTANTIVE
RECOMMENDED DEADLINE FOR MHSA AND SHPDA TO REQUEST ADDITIONAL INFORMATION
RECOMMENDED DEADLINE FOR MHSA TO SEND ITS DECISION AND DOCUMENTATION TO THE SHPDA
RECOMMENDED DEADLINE FOR SHPDA TO MAKE DECISION OF APPROVAL OR DISAPPROVAL

NON-SUBSTANTIVE REVIEW PROCESS

J. ROBUSTO
7/25/85

Attachment 2

Montana Hospital Association

(406) 442-1911 · P. O. BOX 5119 · HELENA, MONTANA 59601

June 19, 1978

TO: SELECTED HOSPITAL ADMINISTRATORS

FROM: WILLIAM E. LEARY, EXECUTIVE VICE PRESIDENT

SUBJECT: STUDY OF CERTIFICATE OF NEED AND SECTION 1122 COSTS

The Bureau of Health Planning and Resource Development of the State Department of Health and Environmental Sciences is currently conducting a study to estimate the total costs (direct and hidden) attributable to the Certificate of Need and Section 1122 programs in Montana. The one time study will estimate both the costs to health facilities undergoing CON and Section 1122 reviews and the costs of administering the programs by the SDH&ES and the HSA.

The Bureau has randomly selected 26 facilities to survey, 21 of which are hospitals. Each facility is requested to supply information on a specific project which was subjected to CON or Section 1122 review. These projects range in scope and size from licensure change to complete facility replacement and the information supplied should enable the Bureau to estimate the total costs incurred by Montana hospitals as a result of the two regulatory programs.

The Bureau has coordinated the development of this study with the MHA and has adopted all of our recommendations with respect to the content of the survey form. We will also receive copies of all completed forms and assist the Bureau in its analysis of the data to insure its correctness.

I strongly recommend that hospitals selected for the survey cooperate with the Bureau and supply the requested data to the best of your ability. The information generated by the study should prove very beneficial to the hospitals of Montana in that we will be able to quantify the added costs that hospitals must bear as a result of the CON and Section 1122 programs.

We also hope to utilize the report in an effort to streamline the review process, saving hospitals both time and money when undergoing project reviews.

If you have any questions about the study or our endorsement of the study, please contact Ken Rutledge, Director of Planning, MHA.

WEL:ml

June 15, 1978

Dear Administrator:

The following questionnaire was developed in order to gather information which will be used in a study of the Certificate of Need/1122 review process. This study conducted by the Bureau of Health Planning and Resource Development, is directed toward determining the total cost of review procedures to both the applicant and the Bureau of Health Planning and Resource Development. Hopefully, with your assistance, we can improve the process and its efficiency while minimizing applicant costs.

Since this study will probably be done only once, your input to this study is essential to its completion, and your cooperation will be greatly appreciated.

Please return the completed questionnaire to me no later than June 30.

If you have any questions, please contact:

Mr. Jim Robusto
Bureau of Health Planning
and Resource Development
State Department of Health
and Environmental Sciences
Cogswell Building
Helena, MT 59601
Phone 449-3121

Sincerely,

Wallace A. King, Chief
Bureau of Health Planning
and Resource Development

WAK:JR:er

Enc.

QUESTIONNAIRE

NAME OF INSTITUTION: _____

ALL QUESTIONS REFER TO THE FOLLOWING PROJECT:

_____

*1. WHAT DID IT COST YOU TO UNDERGO REVIEW?

A.	$ 0 - 50	D.	$ 501 - 1000	G.	$ 5,001 - 10,000
B.	$ 51 - 100	E.	$1001 - 2000	H.	$ 10,001 - 40,000
C.	$ 101 - 500	F.	$2001 - 5000	I.	$ Over - 40,000

Fill In Appropriate Letter; Or, If Known, Enter Exact Amount

[ ] Total Cost $ _____

[ ] Administrative and Clerical $ _____

[ ] Travel $ _____

[ ] Consultant Fees and Expenses $ _____

[ ] Printing $ _____

[ ] Others (e.g.) _____

_____

_____

*2. DID THE AMOUNT OF TIME REQUIRED TO UNDERGO REVIEW AFFECT THE COST OF YOUR PROJECT (i.e., by inflation or otherwise)?

[ ] NO [ ] YES

If Yes, By How Much? - If Known, Enter Exact Amount $ _____

[ ]	$ 0 - 1,000	[ ]	$100,001 - 500,000
[ ]	$ 1,001 - 50,000	[ ]	$500,001 -1,000,000
[ ]	$ 50,001 - 100,000	[ ]	$Over -1,000,000

[ ] $ Other _____
(Please Enter Amount)

*See Explanation Sheet Page 5

3. a. WAS YOUR PROJECT PROPOSAL MODIFIED AS A RESULT OF HAVING TO UNDERGO REVIEW?

[ ] NO [ ] YES, Explain _____

_____

_____

b. IF YES, WERE THERE ADDITIONAL SAVINGS OR COSTS ATTRIBUTABLE TO YOUR PROJECT PROPOSAL MODIFICATIONS?

[ ] NO [ ] YES [ ] SAVINGS [ ] COSTS

IF YES, HOW MUCH WERE THE ADDITIONAL SAVINGS OR COSTS?

If Known, Enter Exact Amount $_____

[ ] $ 0 - 50	[ ] $ 501 - 1000	[ ] $ 5,001 - 10,000
[ ] $ 51 - 100	[ ] $1001 - 2000	[ ] $10,001 - 40,000
[ ] $101 - 500	[ ] $2001 - 5000	[ ] $Over - 40,000

4. a. WERE THERE ANY PROJECTS WHICH YOU CONSIDERED, BUT FAILED TO SUBMIT BECAUSE YOU FELT THEY WERE NOT FEASIBLE?

[ ] YES [ ] NO

b. IF YES, APPROXIMATELY HOW MANY?

[ ] 1-2 [ ] 3-4 [ ] 5 or more

*c. PLEASE GIVE A FEW EXAMPLES OF THESE PROJECTS AND A VERY ROUGH ESTIMATE OF THE COST OF EACH.

d. FOR EACH EXAMPLE LISTED IN PART C ABOVE, GIVE THE REASON WHY IT WAS CONSIDERED UNFEASIBLE.

A. INSUFFICIENT FUNDS AND/OR MANPOWER

B. INSUFFICIENT NEED FOR PROJECT

C. PROJECT PROBABLY WOULD NOT GET CERTIFICATE OF NEED APPROVAL

D. OTHER _____
(Fill in Appropriate Letter)

1st Example [ ]; 2nd Example [ ]; 3rd Example [ ]

*See Explanation Sheet Page 5

5. KEEPING IN MIND THAT THE REVIEW PROCESS IS REQUIRED BY LAW, DO YOU FEEL THAT THE REVIEW PROCESS IS TIME-CONSUMING AND/OR EXPENSIVE? (CHECK BOX OR BOXES WHICH APPLY)

[ ] NEITHER UNREASONABLY TIME-CONSUMING NOR EXPENSIVE

[ ] MODERATELY TIME-CONSUMING

[ ] MODERATELY EXPENSIVE

[ ] MODERATELY TIME-CONSUMING AND EXPENSIVE

[ ] UNREASONABLY TIME-CONSUMING

[ ] UNREASONABLY EXPENSIVE

[ ] UNREASONABLY TIME-CONSUMING AND EXPENSIVE

[ ] OTHER _____

6. a. DO YOU THINK THE REVIEW PROCESS HAS BEEN EFFECTIVE IN SEEING THAT HEALTH CARE NEEDS ARE MET?

[ ] YES [ ] NO

If No, Why? _____

_____

b. DO YOU THINK THE REVIEW PROCESS HAS BEEN EFFECTIVE IN SEEING THAT THE COST OF HEALTH CARE IS CONTROLLED?

[ ] YES [ ] NO

If No, Why? _____

_____

c. HAVE YOU FOUND THE REVIEW PROCESS TO BE VALUABLE TO YOU?

[ ] YES [ ] NO

Explain _____

_____

_____

7. a. DOES YOUR INSTITUTION HAVE A LONG-RANGE PLAN?

[ ] NO [ ] YES

b. HAS THE REVIEW PROCESS AFFECTED YOUR LONG-RANGE PLAN?

[ ] NO [ ] YES HOW?_____

_____

_____

8. SPACE AVAILABLE FOR COMMENT

_____

_____

_____

_____

_____

EXPLANATION

1. Only costs directly related to the review process itself should be included. Cost considerations should include those listed, as well as any additional costs which became necessary as a result of your having to undergo review. (e.g., additional architectural drawings to be submitted for review, etc.) Please omit costs which would have been necessary to the project had review not been required. (e.g., cost of feasibility study, consultant fees, etc.)

2. "Cost" means the total cost of the project from start-to-finish. It should include all costs considered in approved expenditure as well as pre-development costs, cost overruns, and the cost of undergoing review.

   "Approved Expenditure" means the amount which was approved by the review committee.

4c. "Cost" is defined in #2 above.

This intern report was read and accepted by a staff member at:

Agency: Bureau of Health Planning and Resource Development

Address: Montana Department of Health and Environmental Sciences
Helena, Montana 59602

This report was completed by a WICHE intern. This intern's project was part of the Resources Development Internship Program administered by the Western Interstate Commission for Higher Education (WICHE).

The purpose of the internship program is to bring organizations involved in community and economic development, environmental problems and their students in the West for the benefit of all.

For these organizations, the intern program provides the problem-solving talents of student manpower while making the resources of universities and colleges more available. For institutions of higher education, the program provides relevant field education for their students while building their capacity for problem-solving.

WICHE is an organization in the West uniquely suited for sponsoring such a program. It is an interstate agency formed by the thirteen western states for the specific purpose of relating the resources of higher education to the needs of western citizens. WICHE has been concerned with a broad range of community needs in the West for some time, insofar as they bear directly on the well-being of western peoples and the future of higher education in the West. WICHE feels that the internship program is one method for meeting its obligations within the thirteen western states. In its efforts to achieve these objectives, WICHE appreciates having received the generous support and assistance of the National Endowment for the Humanities, the Economic Development Administration and by more than one hundred and fifty community agencies throughout the West.

For further information, write Resources Development Internship Program, WICHE, P. O. Drawer 'P', Boulder, Colorado 80302 or call (303) 443-6144.

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60:1078:WICHE:2H448